

For the majority of African countries, no other item ranks higher on the policy agenda than the conquest of poverty and improvement in overall living standards. This has been the overriding concern of governments and their external development partners right from the dawn of independence. The development plans that have been formulated from the early 1960s and the policies and strategies that have been implemented over the years have this singular objective—to generate rates of economic growth high enough to cater for the populations' growing needs for food, shelter and all that make life worth living for. However, after going through countless planning cycles, and committing huge amounts of resources to development and 'modernisation', many African countries have yet to subdue poverty and enjoy the affluence that others are increasingly taking for granted. The discovery of the secret road to development and affluence continues to be elusive for many African countries. The answer may perhaps lie in the discovery and harnessing of the critical factors and forces in society that create wealth.

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Wealth Creation for Poverty Eradication In Africa: Role of State and Non-State Actors



# Wealth Creation for Poverty Eradication in Africa:

*Role of the State and Non-State Actors*

M. JIDE BALOGUN AND YOLAMU R. BARONGO (EDITORS)

African Association for Public Administration and Management (AAPAM)

# **Wealth Creation for Poverty Eradication in Africa:**

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**M. JIDE BALOGUN AND YOLAMU R. BARONGO (EDITORS)**

## **Disclaimer**

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### **Wealth Creation for Poverty Eradication in Africa: Role of the State and Non-State Actors**

M. Jide Balogun and Yolamu R. Barongo (Eds)

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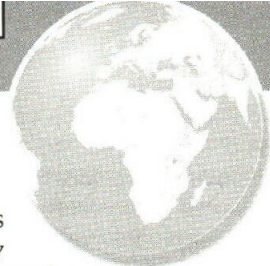
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# Acronyms and Abbreviations

- APPS:** Association of Private Proprietors of Schools
- CAFRAD:** African Training and Research Centre in Administration for Development
- CHAN:** Christian Health Association of Nigeria
- CNN:** The Cable News Network
- CSRP:** Civil Service Reform Programme
- DPMF:** Development Policy Management Forum
- ESWC:** Enugu State Water Corporation
- FDI:** Foreign Direct Investment
- HIPC:** Heavily Indebted Poor Countries
- HIPIC:** Heavily Indebted Poor Countries Initiative
- ICT:** Information Communication Technology
- IDA:** International Development Agency
- IMF:** International Monetary Fund
- MDA:** Ministries, Departments and Agencies (Tanzania)
- MDBS:** Multi-Donor Budgetary Support
- MDI:** Management Development Institute
- NAFDAC:** National Agency for Food and Drug Administration Control
- NARC:** National Rainbow Coalition
- NGO:** Non-Governmental Organisation
- NRM/NRA:** National Resistance Movement/National Resistance Army
- OECD:** Organisation for Economic Co-operation and Development
- OHRLLS:** UN Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
- PMD:** Private Medicine Dealers (Nigeria)
- PRGF:** Poverty Reduction and Growth Facility
- PRSP:** Poverty Reduction and Strategy Papers
- SADC:** Southern African Development Community
- SAP:** Structural Adjustment Programmes
- SARS:** Severe Acute Respiratory Syndrome
- SSA:** Sub-Saharan Africa
- UNCTAD:** United Nations Conference on Trade and Development
- UNDP:** United Nations Development Programme
- UNECA:** United Nations Economic Commission for Africa
- UNICEF:** The United Nations Children's Fund
- UPE:** Universal Primary Education
- WB:** World Bank
- WHO:** World Health Organisation



*M. Jide Balogun and Yolamu R. Barongo*

For the majority of African countries, no other item ranks higher on the policy agenda than the conquest of poverty and improvement in overall living standards. This has been the overriding concern of governments and their external development partners right from the dawn of independence. The development plans that have been formulated from the early 1960s and the policies and strategies that have been implemented over the years have this singular objective—to generate rates of economic growth high enough to cater for the populations' growing needs for food, shelter and all that make life worth living for. However, after going through countless planning cycles, and committing huge amounts of resources to development and 'modernisation', many African countries have yet to subdue poverty and enjoy the affluence that others are increasingly taking for granted.

In line with its past tradition, the African Association for Public Administration and Management (AAPAM) decided to take a critical look at this complex topic—a topic with socio-economic, psychological and political, if not ideological, ramifications. At the end of its 25th Roundtable Conference held in Banjul, The Gambia in April 2004, the Association unanimously adopted 'wealth creation' as the theme of its 26th Roundtable scheduled to take place the following year.

When the members converged at the Whitesands Hotel in Mombasa, Kenya, from 7 to 11 March 2005, they engaged in a spirited and down-to-earth debate on the topic, 'The Enabling State and the Role of the Public Service in Wealth Creation: Problems and Strategies for Development in Africa.' Whether at plenary sessions or in syndicate groups, the Roundtable participants displayed keen interest not only in the theme, but also, indeed, more especially, in how to get Africa out of poverty and place it on a trajectory of growth and sustainable development.

While the Roundtable attracted presentations from many eminent administrators and renowned academics, only a few papers have, due to space constraints, been included in this volume of eight chapters. The first chapter is by Professor Peter Anyang' Nyong'o, former Minister for Planning and National Development, Republic of Kenya. The Minister addresses the question of whether there is any difference between 'poverty alleviation' and 'wealth creation'—a question that he answers affirmatively. In his view, instead of focusing on 'poverty alleviation', the

time had come to shift the gear towards wealth creation. Accordingly, the debate should not be about the inhuman effects of under-development, but rather, about the root causes of underdevelopment and about strategies of wealth creation that would lead to their (the root causes) total eradication. Unlike 'poverty alleviation' or 'poverty reduction', wealth creation is not a 'trickle down' strategy.

Professor Anyang' Nyong'o is particularly concerned about the African countries' persistent tendency to abdicate the responsibility for thinking through development designs, and to prefer instead to leave this intellectual task to external development partners. So it is that in the 1970s and 1980s, African countries were nudged in the direction of 'basic needs' and 'integrated development'. Before they could get their act together, their external advisers had moved towards 'structural adjustment' and down-sizing. He further notes that the African countries struggled with 'structural adjustment' in the 1980s, without adjusting any structures as the economies in 'adjusting' and non-adjusting Africa alike remained unchanged, largely mono-cultural, and under-developed.

Professor Anyang' Nyong'o contends that Africa has no-one but herself to blame for the persistence of want and destitution. He reserves the bigger indictment for the policy-making class, arguing that "we as policy makers (that is, presidents, prime ministers, ministers, permanent secretaries and top managers of public institutions) and our predecessors bear collectively the greatest blame for the sorry state of the continent. We underestimated our internal capacity to get the development equation right, and overestimated the capacity and eternal benevolence of our development partners!"

In the second chapter, Professor M. Jide Balogun pursues the argument started in the first chapter—to wit, the argument that wealth creation is different from poverty alleviation. In his view, the former (wealth creation) is conceptually, and in policy terms, different from the latter. In contrast to 'poverty alleviation' that has clearly come to terms with poverty (taking only sporadic measures to 'appease' it), wealth creation, according to Balogun, seeks nothing less than total liberation from poverty and from its oppressive grip. Where poverty alleviation promises short-term relief, wealth creation canvasses a comprehensive, long-term, developmental response to want and destitution. Whereas poverty alleviation portrays the poor as a 'victim' of deprivation, wealth creation challenges the poor to help him/her self by producing goods or services that are *in demand*. In place of the self-doubt that poverty engenders, wealth creation breeds self-confidence. Above all, wealth creation advocates a proactive role for government and public administration—a role designed to promote individual initiative. The model rejects the minimalist logic underpinning the design and implementation of contemporary poverty alleviation programmes.

Besides comparing wealth creation with poverty alleviation, Balogun examines the assumptions, including socio-psychological assumptions, underpinning the latter vis-à-vis the former. In telling what he calls a “tale of two psychologies” and particularly, in his reference to the work of a Nigerian playwright, Karimu Adepaju, he notes how the mind gets conditioned to living with poverty. Unless drastic measures are taken to change the poverty mindset—particularly the mindset of those in leadership positions—no amount of time and resources allocated to poverty reduction ends would achieve the desired objectives. As indicated later, this theme—that of the leadership class’ genuine commitment to poverty eradication—is taken upon again by Professor Oyugi in the third chapter.

In continuation of his own argument, Balogun interrogates the contemporary attempts at profiling the poor, and comes to the conclusion that these efforts fall short in more ways than one. He notes, in particular that the poor is not the person on an income of less than a dollar (or, for that matter, one hundred dollars) a day, but one whose income can neither meet present and *future* needs, nor leave enough savings to be invested in wealth generating projects. This definition, he argues, covers the absolute unemployed, the producer of primary commodities who cannot count on getting fair prices for his exports, the migrant worker, the street vendor, and the employee who ‘pretends to work’ for an employer that ‘pretends to pay’ a decent wage. The drug trafficker who comes to ‘sudden wealth’ (or the crooked cop that shields the criminal) is, by this definition, poor, although it may take a long prison sentence and the freezing of his/her bank accounts to open his eyes to this plain fact. Notwithstanding handouts from benefactors, or access to other forms of unearned income, the substantive condition of the poor is unlikely to change for the better unless s/he demonstrates the capacity to produce goods and/or services in demand.

The challenge ahead is to how to institute the appropriate measures to empower and assist the poor to help him- or herself. Balogun accordingly canvasses the adoption of a new wealth creation (in place of the existing ‘poverty alleviation’) strategy. The main attributes of the new strategy are:

- (i) cultivation and constant reinforcement of the African peoples’ self-respect and esteem;
- (ii) development of the capacity of socio-economic actors (and particularly, the poor) to appreciate nature’s endowments and to channel these endowments to beneficial ends;
- (iii) promotion of productivity consciousness;
- (iv) unceasing quest for excellence and perfection.

In Chapter Three, Professor Walter Oyugi places the debate on the causes and cures of poverty within the context of the momentous governance crisis confronting a number of African countries. He holds that poverty would neither be 'alleviated' nor 'reduced' until the underlying governance questions are satisfactorily addressed. Prominent among these questions is that of the steady privatisation of the state apparatus—marked by the tendency on the part of rulers to blur the line between the personal and the public household. In a privatised state, public office is the personal, nay, personal, estate of the incumbent who frequently extracts tributes from it (this personal estate) and uses the proceeds to dispense favours to those who serve him well, and to punish enemies. It is highly unlikely that such a neo-patrimonial state would hasten to reduce poverty or vigorously pursue policies which it knows to be a threat to the status quo.

Another factor that Oyugi identifies as a threat to ongoing poverty reduction efforts is corruption which breeds unemployment and diverts resources from productive ventures to wasteful ends. He is of the view that by its very nature, corruption leads to systemic inequality and artificial class stratification. Yet the symbiotic relationship that grows in an era of state privatisation (that is, the relationship between the political and the bureaucratic elite, on the one hand, and the business class, on the other) has made regimes in Africa quite insensitive to the plight of the poor.

Oyugi concludes the third chapter by maintaining that the root causes of poverty in Africa are traceable to the undesirable developments that had taken place in the society and particularly in the management of public affairs since independence. The reality of the situation, he adds, is that the causes of poverty in Africa have very strong roots in the state–society system. Therefore, to address the problem of poverty is to address its root causes.

Oyugi's incisive and penetrating analysis is followed in the fourth chapter by an examination of the role of public administration in wealth creation. In this chapter, Balogun endorses the emerging view that victory in the arduous struggle against poverty hinges not on the expectation that the benefits of economic growth would 'trickle down' to the poor, but on the substantive measures adopted to empower, or at least, enable, the poor to engage in value-adding and wealth creation activities. This requires, at the very least, the transformation of the public service from an inward-looking, paper-chasing bureaucracy to a citizen-engaging, technology-brokering, and, above all, ethically upright wealth creating agent.

In Chapter Four, Professor Balogun traces efforts by governments in sub-Saharan Africa to generate economic growth and alleviate poverty, and then argues the case for government–society engagement in wealth creation ventures, both as a poverty alleviation strategy and as the new defining role of public administration. While the content and directions of the wealth creation agenda (and the role of public administration in

implementing the agenda) will vary from country to country, he argues the case for:

- (i) national leadership in wealth creation;
- (ii) the entrenchment of good governance values and practices;
- (iii) the protection of traditional moral values against the corroding effect of wealth creation;
- (iv) the creation of an environment conducive to the round-the-clock, uninterrupted, momentum-accelerating functioning of the economy, and to the gainful allocation of time, energy and resources therein;
- (v) the transformation of the public service from an inward-looking, paper-chasing, nay-saying organ, into a citizen-engaging, innovation-brokering, and growth-facilitating partner; and
- (vi) the establishment or strengthening of institutions whose main task is the enhancement of the productive capacity of small- and medium-scale enterprises.

In contrast to the first four chapters which address broad policy and conceptual issues, the remaining four chapters provide snapshots of wealth creation and poverty alleviation efforts in various countries. Thus, in the fifth chapter, Joseph Rugumyamheto, traces the link between Tanzania's public service reform initiatives and the implementation of the country's wealth creation and poverty eradication programmes.

He recalls that in the 1980s and the early 1990s, Tanzania was perceived as just another African basket case. The country's economic situation was pathetic, in both absolute and comparative terms. At the same time, political competition was limited, as only one political party, Chama Cha Mapinduzi (CCM), was active. Rugumyamheto happily notes that by 2005, the situation has changed for the better. Since the mid-1990s, when a new government came to power after winning a hotly contested election, the economy began to grow rapidly. A pluralist political order has taken root with 16 registered political parties fielding candidates at presidential and parliamentary elections. Civil society, though still nascent and evolving, is active and dynamic.

In the 1980s and the early 1990s, the public service was in a similar pathetic situation. It was bloated in terms of the number of institutions and employees. There were no reliable systems and guidelines. (Those in place were outmoded.) Indiscipline in its many facets was a common feature. Numerous 'ghost' workers were on the government payroll, and the wage bill (as well as the aggregate public expenditure) was out of control. The cause of accountability was not served by the Ministries' inability to produce reliable accounts on a timely basis.

By 2005, the Tanzania Public Service had turned the corner. It currently has fully functioning 'state-of-the-art' systems, including information

communication technology (ICT) systems for payroll and human resources management and for integrated public finance management. Giant steps are also being taken to improve the delivery of services to the people.

The above-mentioned achievements notwithstanding, Rugumamheto concedes that the country is still a long way from becoming a 'developmental' state. He further notes that since many of the reform measures do not have a direct impact on growth and reducing poverty or even improving service delivery it is difficult to say precisely what impact reforms have had on overall well-being. He is, however, convinced that an efficient and effective public service is a necessary condition for achieving improvements in service delivery, and, by so doing, assisting wealth creation and poverty eradication efforts. The experience of Tanzania demonstrates that where the objectives of public service reforms are clearly articulated and linked to national development objectives, the reforms are likely, over a period of time, to have positive and measurable impact on wealth creation endeavours. In the specific case of Tanzania, the main challenge is to sustain the gains that have accrued from reforms dating back to the 1990s. This requires deepening and broadening the reforms such that they are embraced by all members of society, particularly those that are trapped in poverty.

The sixth Chapter is by Dr George A. Larbi, who describes selected cases of government intervention to support and regulate non-state providers (NSP) in three service sub-sectors: primary education, primary healthcare, urban drinking water supply and sanitation. These cases illustrate how and to what extent the state can support and engage with non-state providers of services, for example by contracting out service delivery to them. Larbi argues that NSPs fill a significant gap in basic service provision, where state provision is either inadequate or has failed. Governments need to engage more positively with NSPs, especially the smallscale and informal ones in order to turn the vibrant entrepreneurial energy into more productive use. However, the policy environment in which NSPs operate can sometimes be disabling rather than enabling, while the relationship between the state and these non-state providers (NSPs) tends, at times, to be antagonistic.

Larbi draws a few conclusions from the case studies in the three service sectors:

- (i) It is apparent that NSPs fill a significant gap in basic service provision, where state provision is either inadequate or has failed. Their role in the provision of drinking water is increasing by default due largely to increasing urbanisation and the inability of public networks to cope with the upsurge in demand.
- (ii) Despite the significance of NSPs in service delivery, they are grudgingly accepted and barely tolerated, in the short-term, while governments look up to the formal sector as long-term solutions. The current policy environment is attempting to encourage the

formal private and voluntary sectors to participate more in service delivery.

- (iii) Small and informal providers tend to serve the poor, but they are not necessarily pro-poor in terms of cost, and in terms of the quality and quantity of service that they actually provide.
- (iv) The only effective regulation of NSPs takes place at the stage of entry, and mostly, through registration and approval (education) and licensing (health and water), but it is more difficult to monitor the quality and standards of delivery once entry is gained. In general regulation of NSPs is a major challenge for government in all sectors. In particular the regulation of the widely dispersed, and foot-loose, small providers is difficult.

Larbi further observes that dialogue between government and NSPs on policy matters is not institutionalised, but rather sporadic. This often takes place through umbrella NSPs or associations seeking to influence government on behalf of their members. These umbrella organisations are potential partners in improving the quality and coverage of service delivery if governments can provide support and adopt a more positive attitude towards them.

Chapter Seven by Ms Helen Allotey, focuses on productivity trends in the country's formal and informal sectors. She observes that as a result of the growth strategy embarked upon in recent years by the government of Ghana, productivity in both the formal and the informal sectors has continued to increase. The cocoa industry has particularly witnessed a rebound since 2001—in terms of provision of necessary inputs and payment of decent producer prices to the farmers.

Among the other measures that have restored investor confidence and improved the investment climate are the implementation of sound macro-economic policies, the enforcement of rigorous financial discipline, and the enhancement of the integrity, operational capacity and credibility of oversight institutions.

The eighth and final chapter is by Ms Gemma Mbaya. The focus of her contribution is on measures for enhancing the role of women in wealth creation. She identifies three major roles that women play simultaneously but with little recognition—childrearing and education, socio-cultural and economic roles. Ms Mbaya examines a number of options, among them, micro-financing, that sub-Saharan African governments could adopt to enhance the wealth creation role of women. She concedes the fact that women's needs are not homogenous; they are as varied as the poverty levels. This calls for a variety of interventions.

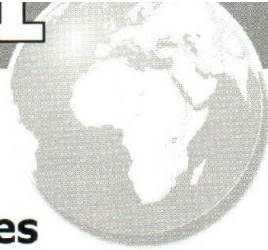
She suggests that as wealth creation measures are being introduced and adopted, women need to be brought on board at the outset, through dialogue and consultations. Their responses, she forcefully argues, need to

be elicited, customised to their particular unique situations, and acted upon. This will enable them to identify themselves with, and take ownership of, such measures. Ultimately, the women's wealth creation effort must be their responsibility and to which they can be held accountable.

Ms Mbaya concludes by arguing that sub-Saharan African governments have a crucial role to play in creating an environment that is conducive to wealth creation by women. This enabling role of government includes the removal of legal, institutional and structural barriers to women's wealth creation efforts.

Although she focuses on the role of women in wealth creation, she recognises the fact that women cannot work in isolation. It is therefore essential to enlist the support of men while making a strong case for women participation in wealth creation activities.

Taken together, the eight chapters present modest contributions to the efforts of African Governments to energise their economies and alleviate the suffering of their peoples. The African Association for Public Administration and Management is highly honoured to be part of these efforts.



## Wealth Creation and National Development: Issues, Challenges and Options\*

Peter Anyang' Nyong'o

As some of you may know, Kenya is at the moment in the second year of implementing its Economic Recovery Strategy for Wealth and Employment Creation 2003 to 2007, usually shortened to the ERS. Therefore the topic of wealth and employment creation in Africa is of special importance to us in Kenya, and I am very pleased to be invited to address this distinguished audience.

Indeed, when we were preparing our economic recovery strategy framework early in 2003, we in the Ministry of Planning and National Development were taken to task by many NGOs and development partners over the idea of 'wealth creation' as the central focus of our recovery strategy. Against tremendous odds we persisted, knowing full well what the political economy of capitalist development entails in terms of wealth creation and employment generation. I will speak more on this later.

I wish to commend the African Association for Public Administration and Management (AAPAM) for joining the movement for a paradigm shift to 'wealth creation'—and away from 'poverty reduction' or 'poverty alleviation'. I feel obliged to urge you to shun the use of terminologies like 'pro-poor policies' and shift our focus to policies that enable us scale-up investments in agriculture, social welfare and infrastructure development so as to create the wealth from which economic growth springs and poverty is reduced and eventually eradicated. This indeed has been the history of many nations since Adam Smith wrote his *Wealth of Nations*, Karl Marx his *Das Kapital* and Milton Friedman his *Capitalism and Freedom*.

I think I should start with some thoughts on this, because I have seen that you have devoted an entire session to discussing wealth creation

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\*Keynote Address delivered by the author in his capacity as Kenya's Minister for Planning and National Development, at the opening of the 26th Roundtable of the African Association for Public Administration and Management, Whitesands Hotel, Mombasa, Kenya, 7th March 2005.

by poverty reduction or alleviation, a debate that we already had and concluded in this country.

This debate has become more than a matter of semantics. In my view, it has to do with a basic understanding of economic history and an appreciation of the political economy of development in the globalised economy of today, replete with the ideologies that seem to be more concerned with the inhuman effects of underdevelopment rather than the eradication of underdevelopment itself. It is the debate on the effectiveness of palliatives to which we have paid more attention in Africa rather than on the much more challenging task of eradicating underdevelopment through wealth creation.

To some people, wealth creation is a bad term, it denotes 'trickle down', that is, the wealthy get even richer, and the scraps come to the people at the bottom. For such people, the politically correct 'bottom up' term is 'poverty reduction' or 'poverty alleviation'.

Using an analogy, if poverty were a disease, these advocates of poverty 'alleviation' prefer to tell the patients to be content with the administration of pain relief tablets and not to bother about how to extirpate the disease and its root causes. The result is a handout mentality and world view, that sees governments, development partners, and philanthropic organisations handing out 'poverty reducing' goods and charities to helpless people in the developing countries.

To others, like those of us in the NARC Government, wealth creation is a concept whose time has arrived. We define wealth creation as increase in assets, however modest this may be. When my mother's goats increase from three to five, her liquid assets (or rather assets on hoof) have increased by two-thirds! Her wealth status, with five goats is higher than when she had three. The idea is to turn the five into eight, the eight into ten, the ten into twelve, and so on! Finally, when the goats are too many, to sell some and use the money to buy shares in the stock market in Nairobi. This is what is called the accumulation of capital, a process that cannot be set in motion without wealth creation.

The result is an asset building and endowment mentality or world view, that sees governments, development partners and philanthropic organisations working together to reduce poverty in the context of measures, policies, and programmes that increase assets (including human capital) and incomes at the bottom of the pyramid.

You must ask yourselves the following hard questions. First, do the poor have resources at their disposal that they can put to better use if they are facilitated? Second, what do the poor lack in order to be productive members of society? And third, who can work with them to address their capacity constraints? Addressing these challenges does not really require a 'handout approach', but a facilitative and capacity creation approach.

I think this difference, between creating a handout culture that comes along with its dependency syndrome, and creating an endowments culture that is accompanied by an attitude of self-reliance and a wealth creating economy is critical if Africa is to look better than the dismal picture that is painted in the *aide memoiré* prepared by the African Association for Public Administration and Management (AAPAM) for this conference.

I want to believe that AAPAM can make a difference. Since it is made up of the top leadership in public administration and the private sector, the Association members are well-placed to reinvent governments and to improve the people's quality of life. Some of those present at this conference are the heads of public service and cabinet secretaries in their countries, which in effect makes them the chief operating officers of their governments. Others are permanent secretaries, while others are top public and private sector managers. If AAPAM, which comprises the cream of African administrative and technocratic leadership cannot make the difference in Africa's transformation from the poorest continent, afflicted by all the apocalyptic horsemen found in the Book of Revelation, then who can?

All the same, if AAPAM is to play its role in creating the necessary momentum for the wealth creation paradigm, this conference must be part of the effort in identifying *what works, how it works, when it works and where it works*—in terms of the critical elements, the institutions, and the instruments that will endow our people with the physical, social and economic capital to become prosperous, and take their place in the global marketplace.

This is not as formidable a task as it sounds. The elements are known, and you have identified some of them such as owning the wealth creation process ourselves as Africans instead of depending on donors; implementing and upholding the rule of law; having strong and enforceable property rights for all (including the informal sector); creating and strengthening the institutions that enable the creation of wealth and employment opportunities; and turning the public service into an agent of prosperity, equity and good governance in Africa.

If the public service is to live up to the challenge of wealth creation, those working within it must resist the temptation to pay mere lip service to the tenets of good governance. They must firmly believe in, and ensure that their actions are guided by, these tenets. Development is not a routine thing. It is a process that is consciously thought out and executed over time. That is why 5-year or 10-year development plans are still a necessity in our development nations, as the Indian case now shows very clearly. Ever since the Nehru-Mahalanobis third development plan of the late fifties, India has systematically built on her achievements, undertaking reforms within a specifically Indian paradigm, always ensuring that the goal of

wealth and employment creation is not lost. The tremendous growth rate, the \$130 billion foreign exchange reserve and the 60 million tons food reserves in a population of 1.3 billion people where nobody goes without a meal is something that Africa should take serious note of.

In reality we know *what works*. If truth be told, Africa's problem is not in knowing what it must do to conquer poverty and enjoy the benefits of sustainable development. We have listed the critical choices that we must make to succeed and discussed them to death in thousands of papers and peer-reviewed journals, and at workshops, seminars and conferences. Our problems usually begin with *how to do it*, *when to do it* and *where to do it*. When it comes to how to do it, we as Africans have abdicated our intellectual responsibility—the responsibility to put the thinking cap on prior to coming out with our own development designs. We have instead depended on the development partners for ideas, and on charities to 'alleviate' the burdens of poverty.

Let me challenge this distinguished group to tell us why it is so difficult for an African country to determine the '*how*'. Why is it that Africa's question, '*how*', has always been answered based on donor-driven fads and paradigms? In the 1970s and 1980s, we were all excited when we were nudged in the direction of 'basic needs' and 'integrated development'. Before we could get our act together, our external advisers had thrown their weight behind the Berg report which herded us towards 'structural adjustment' and downsizing. We struggled with 'structural adjustment' in the 1980s, without adjusting any structures. In 'adjusting' Africa, oil economies remained just that—oil economies—and nothing more. Coffee and tea economies failed to diversify or develop linkages with other critical sectors.

Towards the end of the 1980s and into the early 1990s, just as we were getting fed up with the programmes that were impoverishing peoples rather than adjusting our economies upwards, a new fad came by name of 'privatisation'. So in the early 1990s we all went into privatisation and for most of that decade, we undertook privatisation in ways that produced mixed results at enterprise level but did not change ordinary people's lives for the better. We closed the 20th Century and entered the 21st with the 'poverty reduction strategy papers', most of which have not led to any change in the poverty status of our countries, which is why now in 2005 to 2015 we will need to be targeting the 'millennium development goals' or MDGs which have been declared unattainable for Africa anyway!

If this is not bad enough in terms of the enormous damage wreaked on our economies and societies by the truncated development arising from the conflicting and often contradictory changes in the development fads, we also allowed ourselves to be told '*when*' to do what needed to be done, and '*where*' to do it. This often came in one of two forms, i.e.,

'conditionalities' that were overt, time-bound, or 'technical assistance' that was covert and tied to loans and grants.

The sum total of this situation is that we ought to blame ourselves as Africans for the mess we are in, since we abdicated the responsibility for deciding the 'what', 'how', 'when' and 'where' to develop and prosper as nation-states. Since the 1960s, we as policy makers (that is, presidents, prime ministers, ministers, permanent secretaries and top managers of public institutions) and our predecessors bear collectively the greatest blame for the sorry state of the continent. We underestimated our internal capacity to get the development equation right, and overestimated the capacity and eternal benevolence of our external development partners!

Now 40 years after the initial false steps, we have the chance to make things right—the chance to rightly estimate our capacities and abilities to deliver democracy, accountability, the rule of law, strong and enforceable property rights that fully include women and the informal sector, sound and well-maintained infrastructure, effective and competent public institutions, and equitable endowments and opportunities to all of our people. If we know that outsiders cannot do it, why do we persist in seeking their assistance? When we know that Asians did it by themselves, why are we as Africans afraid to do it by ourselves?

Even if we fail in some areas, we have nothing to lose, especially, since we have failed so badly in the past. However, we have so much to gain, because really, we have never exerted ourselves as leaders and managers to do our very best for the people of our countries. Our chances of succeeding beyond our expectations are very high if we make a determined, diligent, and consistent effort to turn our countries around and at least meet the targets set in the MDGs. We cannot afford to be the only place on earth where life continually gets worse rather than better with the passing of the days!

The time has come to go beyond papers and academic discussions. Let us propose and recommend deliberate actions that will enable us to recapture the initiative for the 'what', 'how', 'when' and 'where' to deploy our resources to maximum advantage. This is the essential message of the New Partnership for Africa's Development (NEPAD). What I am suggesting is that Africa's top public service leadership which is gathered here should reassure us the politicians that "we can do it" by our effort. Let us be assured that we have the capacity to be totally in charge of the development agenda that will create wealth with equity in our societies, and that we can develop our own frameworks that allow external partners to work with us towards our goals rather than us work for them towards their goals. There is no better time than now to change the reality of aid-dependency and in its place have our own willed future.

I say this because I know that it can be done. Reading Lee Kwan Yew's 'Singapore Story: From the Third to the First World', we get to see what it takes to create wealth, abolish poverty and enter the high road towards being members of the First World within a matter of two decades. Singapore has a clear and focused political leadership, from the head of government downwards, with a civil service and political cadre that is well trained and well remunerated, and that exercises its mission free of corruption and is committed to good management of public affairs. Working in partnership with an enterprising private sector, the Singapore state enables wealth to be created and employment to be generated. This is no rocket science; any African state today can become a Singapore just as they can become a Netherlands of Africa.

Malaysia, thanks to the focused leadership of Mahathir Mohammed (a leadership that spanned two decades) will say goodbye to poverty within the next five years, and meet all the MDG targets. In the 1970s, the economy of Malaysia was doing much worse than that of Kenya. However, when Malaysia decided to take off, we in Kenya decided to regress into corruption, mismanagement of public affairs and the impoverishment of the majority of our people. Over time we destroyed the wealth we had created by looting the National Social Security Fund and most pension funds. We privatised state-owned enterprises not to make them create more wealth, but to enrich the wayward comprador bourgeoisie. Except for the successful story of Kenya Airways, other privatisation initiatives do not have very good stories to tell in Kenya.

Yet we know that it is from the proper management and investment of pension funds that Singapore built a formidable education system, provided houses for all her peoples and guaranteed retirees good life after retirement. Malaysia, likewise, is currently leapfrogging into the era of information technology through an education system that produces world class Malaysian engineers as the basis of the success of her multi-media corridor in Kuala Lumpur.

India currently has foreign reserves worth US\$ 130 billion, a national food reserve of 60 million tons and a per capita income of US\$ 3000 in a nation of 1.3 billion people. Nobody goes without food in India today. A good number of Indian corporations have business turnovers that equal Kenya's GDP of US\$ 11 billion. Yet, just 10 years ago, Bombay was as miserable as Nairobi is today. India has simply taken a leap into the future after many years of a painstaking and carefully managed development process.

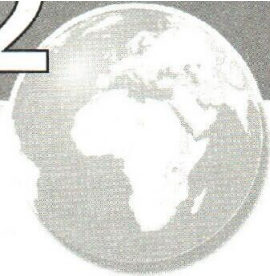
How do we manage what we have? How do we invest it? How do the results of our investments influence other investors from within and without?

Wealth and employment creation are the outcome of success in investments, not simply the infusion of aid into our economies. Aid that is not synchronised effectively with investments and capital accumulation remains simply that: aid. Aid can help the state to develop the capacity to deliver certain services that improve the environment for private sector investments. For example, the Roads 2000 project in Kenya that is financed by the Swedish government can help improve rural access and make it easier for farmers to deliver their commodities to the market. With improved market access, farmers can, as in the case of my mother that I referred to earlier, begin to create wealth and generate employment more successfully.

If we remain focused on wealth and employment creation as the foundation for rapid economic growth in Africa, we shall be able to remove all kinds of cobwebs from our eyes and see our future more clearly. We shall then also be able to see why we need regional economic integration, and the vital role that infrastructure plays in this, as a way of fortifying the home market for enhancing wealth and employment generation. We shall also seek to reduce the transfer of our wealth to the OECD economies through such sinister processes as debt servicing for debts already more than overpaid, tied aid and over-valued technical assistance, unequal exchange in the international trade architecture and the continued pillage of our raw materials by multinationals (as is currently happening in the Democratic Republic of Congo).

If indeed the OECD governments accept that the 21st Century is a world of global partnership, then all of us should revisit that speech that Secretary of State George Marshall gave at Harvard University in 1947 with regard to reconstruction and development in Europe after the Second World War. He called on the USA to grant Europe billions of dollars to reconstruct its battered economy, infrastructure and social services. Marshall feared that if this was not done, Europe would continue to be a threat to global peace, prosperity and democracy.

I do not think that the devastation that Europe underwent during the Second World War is any greater than what Africa underwent from slavery, through colonialism to imperialist exploitation. Chancellor Gordon Brown seems to have reconciled himself to this historical reality, and has rightly called for Africa's Marshall Plan (or should we call it 'Gordon Plan'). This Plan is long overdue if indeed Africa is to move away from being a recipient of aid to mount a big onslaught on poverty. This, I would hasten to add, is an issue that we cannot ignore when we are talking about wealth creation and development in Africa. I would also like to caution against turning our deliberations on the subject into a ritual. Instead, the deliberations should lead to concrete proposals—proposals that shape contemporary politics and policies of development.



## **Wealth Creation as an Alternative to Poverty Alleviation: A Tautology, a Daydream, or a Significant Paradigm Shift?\***

*M. Jide Balogun*

### **I. Introduction**

Semantic purists will dismiss any attempt at separating wealth creation from poverty alleviation as, at best, a tautology, at worst, a daydream. It is fair to ask whether there is any substantial difference between the two terms. After all, what good is wealth that does not 'alleviate' poverty, and, going by the same logic, is the creation of wealth not the underlying purpose of poverty alleviation?

As argued in Chapter Four<sup>1</sup>, wealth creation is conceptually, and in policy terms, different from poverty alleviation. In contrast to the latter strategy that has clearly come to terms with poverty (taking only sporadic measures to 'appease' it), wealth creation seeks nothing less than total and permanent liberation from poverty and from its oppressive grip. Where poverty alleviation promises short-term relief, wealth creation canvasses a comprehensive, long-term, developmental response to want and destitution. To 'alleviate' poverty is to find water to quench the thirst of the moment. To create wealth is to develop, apply and constantly upgrade the technology for harnessing water resources. Whereas poverty alleviation portrays the poor as a 'helpless victim' of deprivation, wealth creation challenges the poor to help him/herself by producing goods or services

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that are *in demand*. In place of the self-doubt that poverty engenders, wealth creation breeds self-confidence. Instead of the 'handouts' that alleviation promises, the wealth creation strategy engages the poor in a hands-on attack on poverty. Above all, wealth creation advocates a proactive role for government and public administration—a role designed to support individual and group initiative. The model rejects the minimalist logic underpinning the design and implementation of contemporary poverty alleviation programmes.

In advocating a shift towards wealth creation and away from the contemporary 'poverty alleviation' strategies, this chapter begins with a critical analysis of the assumptions underlying the latter vis-à-vis the former. In section three, the chapter focuses on the socio-psychological assumptions underpinning the wealth creation concept as different from poverty alleviation. In the fourth section, it discusses the essence of wealth creation as well as the measures that need to be instituted to realise its objectives. The preconditions for the successful implementation of the new strategy are examined in the fifth and concluding section.

## II. The Poverty Alleviation Model— Underlying Assumptions

How poverty is defined will to a large extent dictate the measures to apply in tackling it. This paper focuses on at least two contrasting perspectives. The first equates poverty with material deprivation, while the second portrays it as a state of mind, or more specifically, as a lack of capacity or willingness to recognise and optimise value-adding opportunities. In the first (income-based) definition, poverty emerges as a lack of access to the resources needed to meet basic needs (<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTPA/0,,co...09/02/2005>). If this is the case, poverty would have been 'alleviated' if measures are taken to increase individual or household income, and improve access to basic needs such as food, health and shelter. By contrast, the wealth-inclined definition characterises poverty as a state of mind, that is, as a lack of understanding and appreciation of the *value* to add to meet not only basic but also situation-specific and *constantly unfolding* needs. Unless the poor are directly empowered to overcome obstacles to value-adding efforts, poverty will never go away. Let us examine both perspectives by examining some of the assumptions underpinning the 'alleviation' strategy.

### **Conceptualisation and Measurement of Poverty**

One premise on which poverty alleviation rests is that income is a reliable indicator of poverty, and an accurate measure of progress in 'alleviating' it.

The strength of this argument also happens to be its weakness. As a precise and quantifiable measure, income could be used to determine the place of an individual, a household, or a country on the poverty league table. It does not matter whether the reference is to the gross national or per capita income, or to the range of incomes falling below or above the 'poverty line', or the ratio of rural to urban income. The income level could be easily computed from primary and secondary data and the results applied to back some conclusions.

The limitation of the income-based definition lies in the choice of supporting indicators and, particularly, in validating the choice *over time* and *across cultures*. It is true that in measuring the scale and depth of poverty within and among countries (and, especially, in computing the Human Development Index [HDI]), attention has focused on performance against such indicators as per capita income, access to health, education, energy, potable water, sanitation, information and communication technologies and other tangible material benefits. However, the 'income' focus misses one essential point about poverty—the consumption priorities established by the poor change over time, and may be totally different from the HDI probabilities. While the *supply* of alcoholic beverages, psychotic and mind-bending drugs and military hardware will lead to a dramatic increase in 'income', a combination of the prevailing state policy, religious injunctions, and cultural norms may curb the 'taste' and stem the *demand* for these items<sup>2</sup>. In plain language, income is a relative concept. The value of income is a function of the range of goods and services to expend it on—that is, the needs to be met. These needs, including the needs for accumulation, change over time and from one place to another—similar to the change in perception of freedom<sup>3</sup>.

Probably in an attempt at overcoming the limitation of the income definition of poverty (and at facilitating the identification of the genuinely poor at any time and place), analysts have attempted to find a common denominator for income. This is the essence of the internationally accepted 'poverty lines'. Yet, these lines appear to have been arbitrarily drawn. For the Africa and the Asia and Pacific regions, the line is an income of \$1 a day. For the Commonwealth of Independent States, the amount frequently cited is \$2.15 a day<sup>4</sup>. Certainly, no person in a technologically advanced economy, poor or not, could live on even this higher figure of \$2.15 a day. Besides, the income that places a person slightly above the poverty line leaves nothing for saving or for investment.

The poor is, in fact, not the person on an income of less than a dollar (or, for that matter, one hundred dollars) a day, but one whose income can neither meet present and *future* needs, nor leave enough savings to be invested in wealth generating projects. This definition covers the absolute unemployed, the provider of what UNCTAD<sup>5</sup> terms "low value-added and

survivalist petty trade and commercial services”, the producer of primary commodities who cannot count on getting fair prices for his/her exports, the migrant worker, the street vendor, and the employee who ‘pretends to work’ for an employer that ‘pretends to pay’ a decent wage. The drug trafficker who comes to ‘sudden wealth’ (or the crooked cop that shields the criminal) is, by this definition, poor, although it may take a long prison sentence and the freezing of his/her bank accounts to open his/her eyes to this plain fact. Notwithstanding handouts<sup>6</sup> from benefactors, or access to other forms of unearned income, the substantive condition of the poor is unlikely to change for the better unless s/he demonstrates the capacity to produce goods and/or services in demand.

Until then, the victim of poverty will lack the resources needed to ‘speak authoritatively’ to the economic and the political markets<sup>7</sup>, and will face difficult obstacles pursuing his/her legal and civil rights. S/he is apt to be locked in an endless struggle with over-crowded housing conditions, dependants’ food, clothing and tuition bills, sundry emergencies and family obligations. Desperate for relief from current travails, the poor will find comfort in simplistic explanations of economic and political life, and be susceptible to the influence of demagogues, hate preachers and self-seeking leaders.

The poor does not always resign him/herself to fate. With dire consequences for marital stability and the integration of family units, s/he is likely to migrate from rural to urban areas, or, as in the case of countries bordering South Africa, to search for jobs in the mines. Poverty indeed accounts for phenomenal increase in Africa’s urbanisation rate from 11 percent in 1950 to 32 percent in 1996<sup>8</sup>. Overwhelmed by problems of the moment, the poor will tend to have little time to think about one fundamental question—i.e., how to get out of poverty. This is the question examined in the subsequent paragraphs.

### ***Impact of Economic Liberalisation Reforms on Inequality***

Poverty alleviation’s second underlying assumption is that getting and staying out of poverty depends on the implementation of market reforms, and the attainment of macro-economic stability (<http://www.worldbank.org/poverty/strategies/overview.htm> 30 December 2003). As the argument goes, macro-economic instability leads to the erosion of the value of ‘income’. The instability itself is traceable to uncontrolled public sector growth insofar as this growth can only be sustained by excessive borrowing from the money market—a practice that ‘crowds out’ the private sector, leads to gross misallocation of resources and heightens the risk of inflation. In any case, an economy that fails to recognise the role of the private sector as an ‘engine of growth’ is bound to be unstable, and.

the argument continues, such a roller-coaster economy can hardly sustain growth and poverty alleviation efforts. To clear the path for growth, excess liquidity must be mopped up and the government drainpipes must be sealed off. The measures to adopt in pursuance of the reform objectives include reduction of budget deficits, public service retrenchment and down-sizing, elimination of subsidies and private controls and currency devaluation.

The question is whether the gains of structural adjustment would be so substantial, and would trickle down automatically and fast enough, to 'alleviate' poverty<sup>9</sup>. The limited body of evidence available does not confirm either optimistic assumption<sup>8,10-14</sup>. Studies carried out by UNCTAD<sup>15</sup> indicate a weak correlation between adjustment and economic performance. Of the 15 countries that the World Bank identified as core adjusters in 1993, only 3 were subsequently classified by the IMF as strong performers. And according to UNCTAD<sup>15</sup>,

...the rapid growth among some of the strong performers can largely be explained by some special circumstances that were of a one-off nature and unrelated to structural adjustment policies.

Stabilising the domestic economy to make it attractive (to foreign *private* investors) is a cornerstone of contemporary policy. It provides a rationale for the implementation of stringent fiscal and macro-economic, otherwise known as 'structural adjustment', programmes<sup>15</sup>. It is also turning out to be an illusion, as Zambia found out in 1992 when it sent a delegation to the United States of America. On reaching Atlanta, Georgia, the Zambian delegation was astonished by their hosts' lukewarm attitude. A member of the delegation summed it up as follows<sup>16</sup>:

We thought we had made a great impression on the American businessmen and others who attended the (investment promotion) seminar. This was until Andrew Young spoke. He dashed our hopes. He was very frank and blunt. He started by telling us how empty Atlanta was. He said it was a city with very limited resources... Everything we saw in Atlanta was artificial—they had to make them. And because they had nothing, they had to come up with artificial products such as Coca Cola and CNN, among others.

Further questioning the assumption that liberalisation and rapid integration into the global economy hold the key to fast and sustained growth, UNCTAD<sup>17</sup> reports that despite the growing foreign direct investment in Africa (from an average of \$1066 million in 1970–1979 to \$15,033 million in 2003)<sup>18</sup>, Africa's share of world output declined—from 3.1 percent in the 1970s to 1.8 percent in 2000–2003. Africa's share of world trade also fell from a peak of 6 percent in 1980 to 2.2 percent in 2004<sup>17</sup>.

In contrast to other developing regions, particularly, Asia, sub-Saharan Africa's economic performance has declined between the 1970s and 2002. As reported by the United Nations<sup>19</sup>, the region's savings rates, investment and growth have been on the downward trend from the 1970s to 2002.

Macro-economic reforms are undoubtedly a necessary but insufficient condition for poverty alleviation. Even on the assumption that, as a result of fiscal and macro-economic measures undertaken at a time, a poor person has access to a given amount of income (and to the goods and services it could buy), it does not mean that the access is guaranteed *ad infinitum*. *Vulnerability* to poverty becomes especially high where the *capacity* to meet future (that is, the ever growing and changing) needs is lacking. The experience of sub-Saharan Africa is quite illustrative. While the gains of the fiscal and macro-economic reforms undertaken in the 1990s were, in some countries, reinvested in health, education and infrastructure development, socio-economic imbalances persisted in many others into the early 2000's. In specific terms, the under-5 mortality rate increased in Kenya, Malawi and Zambia—thus wiping out the achievements of the past two decades<sup>20</sup>. Primary school enrolment dropped in Cameroon, Lesotho, Mozambique and Tanzania. The gender gap in primary education widened in Eritrea, Ethiopia and Namibia. Malnutrition increased in a number of countries, Burkina Faso included. Most alarming of all, HIV prevalence rate increased rapidly in the 1990s, and reduced life expectancy in a number of countries.

By the same token, a general increase in 'average' income will not necessarily eliminate *inequality* or disparity in income distribution. Even when the proportion of those living in poverty declines, the number of destitute persons may increase. A case in point is that of Tanzania. Notwithstanding the impressive range of macro-economic reforms undertaken by the country over the last 15 years, the growing income disparities (particularly, between the affluent and the poor, and between urban and rural areas) constitute a serious challenge to poverty alleviation. A Household Budget Survey undertaken between 2000 and 2001 reveals that 18.7 percent of Tanzanians live below the food poverty line and 37.7 percent live below the basic needs poverty line. Poverty is more severe in rural (87 percent) than in urban (13 percent) areas. Dar-es-Salaam has the least incidence of poverty. There is also growing inequality as shown by the rise in the Gini coefficient from 0.35 in 1991/1992 to 0.36 in 2000/2001 (See Table 2.1).

### **Good Governance and Poverty Alleviation**

The third premise underpinning the 'alleviation' logic goes as follows: the impact of liberalisation reforms on economic growth and poverty alleviation hinges on the adoption of good governance practices. Verifying

**Table 2.1: Trends in Income Poverty and Inequality Measures between 1991/1992 and 2000/2001**

	Dar-es-Salaam		Other Urban Areas		Rural Areas	
	1991/1992	2000/2001	1991/1992	2000/2001	1991/1992	2000/2001
Food Poverty	13.6	7.5	15.0	13.2	23.1	20.4
Basic Needs	28.1	17.6	28.7	25.8	40.8	38.7
<i>Inequality Measures</i>						
Gini coefficient	0.35	0.36	0.35	0.36	0.33	0.36
Expenditure of the poorest quintile (%)	7.8	6.7	7.1	6.7	7.2	7.1
Expenditure of the richest quintile (%)	43.3	48.4	45.3	44.5	41.6	42.2

Source: United Republic of Tanzania, Household Budget Surveys (1991/1992 and 2000/2001).

this hypothesis is immediately confronted with a major obstacle—defining ‘good’ governance and constructing the indicators to track the progress made by a country in approximating the ideal. The governance priorities identified under the millennium development goals are:

- (i) Investment in public administration (with emphasis on the modernisation of information and communication systems, and improvement of service delivery modalities);
- (ii) Strengthening the rule of law (reform of the judiciary, implementation of an effective anti-corruption strategy);
- (iii) Promoting accountability and transparency (enhancement of the capacities of watch-dog institutions, including legislative oversight, investigative journalistic and expenditure tracking capacities);
- (iv) Promoting human rights (upholding the principles underlying the Universal Declaration of Human Rights, ratification of Conventions on the Right of the Child, and on the Elimination of All Forms of Discrimination Against Women); and
- (v) Promoting sound economic policies in support of the private sector.

As presented by the poverty alleviation protagonists, good governance is synonymous with a ‘lean and mean’ state—a state that concentrates on ‘what it does best’, cedes the economic space to private operators, and places unquestioned trust in the altruism, benevolence and philanthropy of the Invisible Hand. In such a state—otherwise known as the ‘capable state’—issues of democracy, human rights, the rule of law, and popular sovereignty, etc., are important, but only insofar as they backstop the

overriding mission of securing the environment for private enterprise growth and profitability<sup>15</sup>. Apparently, good governance is an after-thought in the poverty alleviation equation, and would not have featured at all if economic growth could do without it. The capable state's endorsement of good governance is utilitarian and half-hearted. Still, by excluding the *fairness* portion of justice, the socially efficacious state reveals its own weakness as a poverty alleviation instrument.

In contrast to poverty alleviation's utilitarian (nay, Darwinian, possibly cynical) notion of 'good' governance, the wealth creation alternative regards governance as too important to be equated with fiscal and macro-economic balances<sup>21</sup>. In wealth creation, the dominant governance issue is justice, a concept that is defined to include fairness, equity, equality of rights, reciprocity of rights and obligations, and equality of access to governance outcomes<sup>22</sup>. A governance arrangement is 'good' only if it results in the reconfiguration of relations between and among the various social forces in such a way that no one group has an *unfair (or undue)* advantage over the other. Under this logic, an arrangement that extracts productivity gains from the suffering of retrenched employees (and capitalises on the misfortune of the poor) may be efficient, but could reasonably be perceived as unjust or inequitable. To the extent that the poor is not represented on councils on whose authority retrenchment and cost-cutting decisions are made, to that would the equity of the decisions be in dispute.

Thus while the wealth creation model fully acknowledges the 'engine of growth' possibilities of private enterprise, it fails to see how a governance formula that minimises the role of the poor could earnestly address poverty concerns. The model acknowledges the *probability* that private entrepreneurs would be human-hearted and philanthropic. However, it proceeds on the realistic assumption that the underlying consideration in private entrepreneurship is neither altruism nor philanthropy, but cold-blooded pursuit of profit<sup>23</sup>. According to the model, the role of government in such circumstances is not to block the profit drive, but to ensure that the energies and resources of the state are deployed to serve unequal (and conflicting) interests *equally*, including concerns that the profit-maximising thrusts of markets are unable to address. Allocating a sizeable proportion of the resources to job- and wealth creation will be a good first step in ensuring that the state's preoccupation with macro-economic stability is balanced with pro-poor concerns<sup>11</sup>.

### **Civil Society Participation and the Poor**

Finally, poverty alleviation builds its case around the involvement of civil society in the design and implementation of poverty alleviation programmes, an act that is presumed to serve the cause of good governance.

The advocates of poverty alleviation may defend their neo-liberal definition of good governance by arguing that civil society participation in the (alleviation) process is evidence of the strategy's pro-poor sensitivities. This argument is easily falsifiable. First, in view of the fact that the civic bodies that participate in the preparation of poverty reduction strategies are limited in number, and represent only the well-organised and vocal sections of society, this form of 'civil society participation' cannot be equated with genuine democracy, much less with 'good' governance. UNCTAD, citing the results of the extensive field research carried out by the World Bank in 1999, notes the wide gap between the policy components of PRSPs and what the poor really want. Inflation may be of concern to the authors of the PRSPs, but not to the poor. Yet, at the end of the day, the views that prevail in the PRSPs are those other than the poor's<sup>15</sup>.

Second, considering the momentous changes that have taken place in Africa in the last two decades, the civil society 'card' would appear to have been over-played. In the 1980s and the 1990s when multi-party competition was still a novelty in a number of countries, NGOs and other civic groups served as the only reform advocates and, in some cases, the *de facto* opposition. As one-party rule and military dictatorships crumbled in one country after the other, the civic groups had to reinvent themselves and work with new institutions. While the civic groups are still part of the political process, the basic institutions for articulating and aggregating interests—the ones with unquestioned legitimacy—are the revitalised political parties, as well as the elected and increasingly assertive legislative assemblies.

In any case, the civic organisations that should be able to represent the interest of the poor are either too financially handicapped or not sufficiently well-organised to influence the content of poverty alleviation policies. Among these are the peasant associations, commodity producers' cooperatives, thrift and savings societies, trade unions and the craft or trade guilds (tailoring and garment manufacturing, leather finishing, carpentry and bricklaying, electrical wiring and installation and steel fabrication). As argued in this paper, waging a successful war on poverty requires that the poor (or the organisations that *actually* represent them) be the first to be enlisted. However, it is one thing to deploy the poor in battle formation; it is another to instill in them the morale, the confidence and the courage they need to defeat the enemy. This factor, the psychology of poverty, is totally evaded by the poverty alleviation strategy, but is deemed critical to the success of the wealth creation alternative.

### III. Wealth Creation and Poverty Alleviation: A Tale of Two Psychologies

So far, the paper has focused on the *manifest* differences between poverty alleviation and wealth creation. An equally significant but *latent* difference—one that has up to now received little attention—is socio-psychological. It is this difference that overshadows all others in the wealth creation ideal-type. As the argument goes, poverty alleviation breeds negativism in place of the positive outlook that is needed to defeat poverty. In poverty alleviation, the poor is a victim—of circumstances beyond control. In wealth creation, s/he is, when duly motivated, a proactive agent of change. The latter argument presupposes that when the poor is subjected to a barrage of negative messages on his/her condition, the chances are that over time, s/he will succumb to despair or exhibit neurotic symptoms such as manic depression, anxiety, schizophrenia, paranoia, hallucinations, hysteria, kleptomania and aggression.

The argument is not that every poor person will respond uniformly to the same signals, but that these signals cannot be dismissed as irrelevant to our understanding of poverty and its enduring nature. The wealth creation concept rests on the fundamental assumption that poverty is a state of mind—meaning, poverty persists where the mind has been conditioned to live with, rather than incited against, it. At this juncture, a word of caution is necessary. Developmental psychology might have advanced rapidly elsewhere, but it is still at an infant stage in Africa.

All the same, available empirical evidence highlights a strong linkage between the contemporary fixation on poverty and loss of self-esteem. It should be noted that in 2000, a large-scale survey of the world's poor was undertaken. As part of the study, 40,000 people from 50 countries were asked about their perceptions of poverty. The overwhelming response was that poverty meant not just the lack of basic resources, but the loss of self-esteem and dignity<sup>24,25</sup>. However, it is not clear whether the stigmas attaching to poverty originated from exposure to negative signals or to the poor people's own sense of inadequacy.

There are also bits of evidence from the world of arts and literature pointing to a connection between exposure to negative impulses and reduced self-esteem. However, the conclusions are not based on any systematic research. An example is the work of Karimu Adepoju, a Nigerian producer of home videos. In a three-part drama titled *'T'oluwa ni'le'* (meaning 'To God belong the earth and all there is on it'), Adepoju tells a story of greed, treachery, deception and most especially, of the African's inclination to self-doubt.

The story goes as follows: Two villainous characters need someone to testify (falsely) that what the king claims as communal land, land on

which the gods are to be worshipped, actually belongs to their forefathers and to them both in perpetuity. The two want to convert the swath of undeveloped land into gas filling stations, shopping malls and housing estates. They begin the search for a willing accomplice—a credible, even if crooked, witness. They promptly agree on a candidate, *Otun* (meaning ‘the king’s right hand man’). *Otun*’s position in the traditional hierarchy projects him as a witness with impeccable credentials. As a high-ranking chief, he is acknowledged as an authority on local history. He is also easily corruptible. He loves money, and he loves good food and wine. Knowing his weaknesses, the two land grabbers entice him with a lunch invitation.

After treating himself to the finest wine, the *Otun* sights a specially prepared dish. He goes straight for it. The first bite he takes transports him into another world. He asks in the local language, Yoruba, “*Ki loruko t’e tun pe eleyi O*” (meaning: “And what name have you given this one?”). “Chicken peri peri”, comes the reply. Looking incredulous, he turns to his hosts with a statement and a question, “*Ki ni naa dun boo-di. E si l’awon omo wa l’ose kini yi?*” (translation: “The thing is so delicious it hurts! And you are telling me that this was made by our own people, that is, by Africans like us?”) The story has a happy ending, but not for the two primitive accumulators and their accomplice. They die in quick succession, having been struck down by a serial killing evil spirit, *Okunfa*. They are buried far away from the land they once coveted.

There is nothing in the drama to indicate that *Otun*’s lack of faith in the capability of ‘Africans like us’ was triggered by media exposure or the influence of other attitude and opinion forming agents. For all we know, he might have come to his own conclusion based on childhood experience, later-day but traumatic experience; the influence of his family, friends and age mates; and/or the content of media messages reaching him. Finding precise answers to the complex questions warrant the conduct of systematic research into antecedents to individual (and group) behaviour.

Although, as noted earlier, developmental psychology is, in the African context, virgin territory, the results of studies undertaken elsewhere might provide clues to how media exposure shapes an individual’s image of self<sup>26-30</sup>. Studies undertaken within black communities in the United States of America, in particular, have yielded eye-opening conclusions. In her own study, Ward<sup>30</sup> reports a correlation between exposure to negative portrayals of a race and the racial group’s feeling of low self-esteem. She cites studies carried out in black communities indicating that African Americans tended to be negatively portrayed in the mainstream media. As reported by Ward<sup>30</sup>, members of this racial group

were over-represented as hustlers and criminals, with a majority living in ghettos and slums. Black families were portrayed as conflict ridden and female dominated and as exhibiting little love toward their children.

In a study of 156 African American high school students, she<sup>30</sup> attempts to answer the question whether black adolescents are vulnerable to this negative portrayal. As part of her inquiry, she interrogated two theoretical perspectives—the cultivation and the drench theories.

Cultivation theory presupposes that heavy media exposure leads the reader/viewer/audience to cultivate expectations about the real world that coincide with the images presented by the media. Therefore, frequent exposure to stereotypical images of blacks as 'lazy, unintelligent and criminal', will lead viewers of all races to believe that these are what the blacks look like in real life<sup>30</sup>. They will be disappointed if they come face to face with blacks that, in flesh, blood and attitude, do not conform to this stereotype.

The cultivation theory has not passed crucial empirical tests, but this is only because it excludes the possibility of *selective consumption* of media products. Another study conducted in the United States<sup>31</sup> reports heavier media exposure among blacks than whites, but failed to turn up any evidence of impact of the exposure on the personal or racial esteem of blacks. This should not come as a surprise. While the blacks consume greater quantity of the media diet, they have learned not only to erect defence mechanisms against negative (and racially biased) messages, but also to select media messages by genre and type of programming. For instance, exposure to mainstream entertainment programming has been associated with lower self-esteem among black adults (what with the casting of blacks as clowns, side-kicks, hustlers and pimps). The blacks have responded by switching to black-oriented TV, and to media channels that portray the blacks in positive light<sup>32,33</sup>.

The drench theory, an alternative to the cultivation theory, proceeds on the assumption that media portrayals differ in their depth, strength and authenticity. It holds that rare but positive portrayals of African Americans could have a lasting effect on the viewer, and as such, overwhelm, or 'drench' stereotypes<sup>27</sup>.

With the two theories as her point of departure, Ward sought to explore the connections among racial self-esteem, three dimensions of self-esteem and exposure to multiple media channels. The first set of questions she posed to the 156 African American high school students were meant to ascertain the frequency of the students' exposure to mainstream media, the degree of identification with the characters portrayed by the (mainstream) media, as well as the links between media exposure and the students' self evaluations. Another set of questions focused on the students' exposure to black-oriented (as against, mainstream) media, their identification with the (predominantly black or Latin American) characters, and the effect of all these on the students' racial self-esteem. Finally, Ward wanted to know where religion fitted into the equation.

The study by Ward indicates that the students' exposure to *mainstream* media lowered their racial esteem. The explanations are simple. The exposure brought the African American students face to face with the mainstream media's association of whites with beauty, glamour and style, and of their own (black) race with negative attributes.

Exposure to black media, in contrast, was associated with positive self-evaluation, especially, when coupled with strong identification with popular (and successful) black characters<sup>30</sup>.

Religion has also been singled out as an important mediating factor. One conclusion emerging from the study is that if religion operates as a buffer against outside negative influences, it could also preempt the negative effects of media exposure on self-esteem. To quote Ward<sup>30</sup>:

Through the social control, emotional support, and values they provide...religious institutions are associated with several positive health and behavioral outcomes. For example, among adolescent samples, religiosity has been associated with reduced involvement in criminal activities... and lower levels of voluntary sexual activity and sexual risk taking.

### ***Lessons for Contemporary Poverty Psychology***

Before highlighting the implications of the preceding analysis for the war on poverty, three caveats are necessary. First, the poverty chroniclers have played a vital role sensitising the world to the plight of the under-privileged. Their human instinct cannot bear to see a world that is sharply divided between those who have it all, and those who spend the day looking for food but still go to bed hungry. They see poverty as an abnormal condition that should not only be exposed but also eradicated. Second, freedom of information is not an option: Even if one were to place an embargo on bad news, it will manage to get out and travel faster than the censor. Third, the critique of the prevailing poverty discourse should be interpreted not as subtle plea for 'benign neglect', but as a call to action—albeit, a new kind of action.

In proceeding along the new path, we should not lose sight of the lessons garnered from the studies reported earlier, and, particularly, the finding that when continuously bombarded with a particular kind of message, the individual may either get conditioned to the values encoded therein or change channels. With particular reference to the message on Africa's poverty, the chances of acculturation are far greater than of channel switch. This is because all the available channels and communication media are beaming out the same type of message—the advance of poverty and its malevolent entourage. Unlike in the United States where minorities have alternatives to the mainstream media, the media outlets in the majority of sub-Saharan African countries merely relay the same message on the

scale, depth and invincibility of the scourge called poverty. There is thus no advantage in switching to another channel.

Second, for many, the negative messages ring true. The majority can easily identify with one or the other of the vile characters portrayed on television or sketched in the relentless flow of official statistics—authoritarian child-rearing practices which sometimes translate into paternalism in politics, petty and grand corruption, homelessness, destitution, unemployment, conflict, alcoholism, substance abuse, the disintegration of the family unit, growing cases of divorce, human trafficking, environmental pollution and toxic waste dumping, newly discovered but deadly viruses, and despair. The list is endless.

For the poor, the bad news from sources external to him/herself constitutes another drag on the soul. It engenders self-doubt on his part and reinforces his/her feeling of hopelessness. The challenge for the analyst is how to establish a clear and precise connection between the negative impulses and the entrenchment of poverty. This requires launching a multidisciplinary inquiry aimed at tracing the links between exposure to negative messages and the effectiveness of poverty eradication policies. The study should provide clues to the question whether or not the messages weaken the policymakers' resolve, and undermine the poor communities' resistance to poverty's onslaught. Drawing on the insights of psychology, mass communications, sociology, psychiatry, economics and public administration, among others, the multidisciplinary inquiry should indicate how the policy makers, the career bureaucrats, and the poor interpret the impulses they receive on poverty, and how these interpretations affect their will to respond to the challenge. In any case, insofar as poverty arises from various complex conditions, tackling it effectively dictates the adoption of multidimensional approaches<sup>11</sup>.

In the interim, we may proceed on one major premise, i.e. as the poverty psychology takes hold, the will to eradicate the scourge collapses. The policy makers, overwhelmed with demands from several angles but lacking the resources to act, will, over time, begin to treat poverty as a normal, recurrent agenda item. If the policy process succumbs to poverty fatigue, the poor are even more likely to be intimidated by the sheer enormity of the challenge. As argued in this paper, the will to fight will return only when the mind shifts from the negative (poverty) to the positive (wealth creation). The attributes of the latter strategy are discussed in the next section.

#### **IV. The Essence of Wealth Creation**

The essence of wealth creation cannot be fully understood until we answer the question 'why is Africa poor?' This is a question that has elicited several different answers<sup>34</sup>. To some, the root cause of the grinding

poverty is colonial exploitation<sup>35</sup>. To others, Africa has no one to blame for its underdevelopment but itself—or more specifically, its leaders<sup>36</sup>. To yet others, Africa's poverty is traceable to the lopsided, state-led policies pursued in the early years of independence—policies, which, as hinted earlier, 'crowded out' the productive private sector, and subsidised public sector prodigality and waste. A recent conversation with a person whose remit includes handling poverty eradication issues, yielded another interesting perspective: Africa is poor because it is rich<sup>37</sup>, a notion that remotely sounds like 'resource curse'.

Strange as it may seem, the explanation that admirably sums up the wealth creation argument is the last. However, it is so heavily loaded that it needs careful dissection to be fully comprehended. The affirmation (Africa is poor because it is rich) could be interpreted in at least three ways. First, it could mean, Africa is endowed with so much resources that its people do not feel the urge to be creative and to add value. It could also mean that Africa may be lacking in the wherewithal of life but is all the same contented with its lot. In other words, what it lacks in material possessions it more than makes up for in the richness and equanimity of the soul. Above all, it could mean both—i.e., that Africa is resource rich, materially deprived but spiritually at peace. Making sense of the three interpretations requires enlisting the support of development psychology to interrogate the workings of the mind.

One thing is clear: Even if Africa was once happy with its lot, it is becoming increasingly less so. Concern about its underclass status has grown with the advance of globalisation and particularly, with the feeling that Africa is being left behind by a fast moving train. A living testimony to this new urge to develop is the New Partnership for African Development (NEPAD). By adopting the new initiative, the African leaders have taken on the challenge to shake off the stigma of poverty, and to join the rest of the human race in the quest for peace, prosperity and improved living standards.

However, NEPAD's professed determination to tackle poverty will yield results only if the contemporary preoccupation with poverty gives way to the liberating, and people-driven, force of wealth creation. Unless and until the policy makers switch from the poverty alleviation to the wealth creation channel, they will not succeed in 'drenching' the image of Africa as a beggar continent—much less have any significant impact on the life and well-being of the people. The main attributes of the new wealth-oriented strategy are:

- (i) Cultivation and constant reinforcement of the African peoples' self-respect and esteem;
- (ii) Development of the capacity of socio-economic actors (and particularly, the poor) to appreciate nature's endowments and to harness as well as channel these endowments to beneficial ends;

- (iii) Promotion of productivity consciousness;
- (iv) Unceasing quest for excellence and perfection;
- (v) Redirection of macro-economic and fiscal policies away from 'down-sizing' to job creation and poverty eradication; and
- (vi) Enhancement of the growth facilitation and backstopping capacities of public agencies.

### **African Self-Esteem and the Will to Develop**

Wealth creation entails imbuing the generality of people with the confidence to explore opportunities for growth, to produce the goods and services in demand, and to compete on the domestic and external markets for the sale of their products. This confidence will be boosted where the actors are mobilised and motivated to produce the goods and services in demand. A policy that 'devalues' a person's citizenship status because of his/her ethnic origin, religious affiliation, socio-economic class or gender will undermine the confidence needed to create wealth and eradicate poverty. By the same token, a policy that, rather than have faith in the capabilities of 'Africans like us', fosters the mendicant and dependent mentality, will shake the actors' confidence in their own abilities, and will entrench poverty and destitution. A point that *Otinu's* character in Adepaju's dramatisation drives home is the correlation between faithlessness and low self-esteem, and between both states of mind and kleptomaniac (as well as corrupt) tendencies. *Otinu* was a leader who had no faith in anything or anyone—not in the fairness of the gods of his ancestors, the chances of his own redemption, or the capacity of his fellow human beings to make good. For as long as he remains in public office, he will continue to thrive on poverty—as he diverts poverty 'alleviation' resources to personal ends, and ensures that individuals with capacities to secure welfare and productivity gains are sidelined.

The wealth creation model also rules out the donation and shipment of mosquito nets to malaria zones as an option, canvassing instead the enhancement of the capacity of the zones' poor to weave, sew and sell the nets. In its quest for the dignity of the people, the model combines the attributes of the capable with those of the *compassionate* state<sup>38</sup>.

As a first step in cultivating the self-esteem of the people (and, in particular, of the poor), African governments need to recapture the policy initiative that was lost right from the days of structural adjustment. This requires that poverty-related issues and wealth creation options be placed firmly on the agenda of political parties, and debated by local opinion leaders as well as by the elected members of national legislative assemblies. The impact of capacity building initiatives should be judged by the extent to which they promote local ingenuity and self-confidence.

## **Appreciation and Sustainable Exploitation of Nature's Endowments**

As part of the confidence building measure, the policy process needs to take cognisance of—in fact, capitalise on—the abundant reserve of resources available in each African country. Most reports on Africa's socio-economic conditions tend to convey, and reinforce—thereby *cultivating*—an impression of grinding poverty. The reports depict, and accurately too, a region that lags behind the rest of the world, that is, when measured against the indicators of the 'good life': low GDP per capita, low life expectancy; limited access to health, sanitation and potable water; low literacy, energy generation and distribution rates; underdeveloped networks of roads; tenuous connection to telephone lines and to the information super highway; limited ownership of personal computers; and scanty technology exports. The continent of course ranks high on the negative indicators, among them, HIV prevalence and infant mortality rates, impact and intensity of conflict and civil strife, unemployment and refugee population growth rates, as well as debt-servicing ratios.

However, what the poverty statistics conceal is far more important than what they reveal. The production and consumption statistics paint one picture, that of want, but the facts on the untapped resources paint quite another, a picture of abundance. The gifts that the Almighty God bestowed on Africa (among them, marine, mineral and forest resources) affirm the continent's richness and ought to be optimally utilised to 'drench' the image of poverty and hopelessness. Countries with access to the sea not only have the opportunity of exporting and importing cargoes with ease, but could also expect to rake in the gains of off-shore mineral, including petroleum, exploration, and deep-sea fishing. Other countries may be land-locked, but are blessed with fertile soils and forest cover. The terrain of the Sahelian belt and of the desert regions may look forbidding, but the arid zones too have their own advantages, among them, vast deposits of solid minerals.

It is ironic that before the advent of colonialism, the peoples of the continent showed greater appreciation of nature's endowments than at the height of 'modernisation'. They enhanced agricultural productivity by enriching the soils with animal wastes, converted the roots, the barks and the leaves of the forests into food and/or effective herbal medicine, and added value to clothing and textile products by perfecting the cotton ginning, spinning, weaving, as well as 'tie and dye' technologies. All these efforts were geared not only towards warding off poverty, but also upholding the values and boosting the esteem of the African race.

As modernisation advanced, Africa's traditional 'know-how' receded. Worse still, the continent has not made up for the disconnection from the

old with a mastery of the new knowledge. This is how the continent became a recipient of technology and its limitless possibilities. This is the origin of the structural obstacles to Africa's economic transformation, of the African economies' susceptibility to the vicissitudes of the global environment, of the failure to respond effectively in the face of the steady erosion of the value of commodity exports (See Table 2.2), and of the entrenchment of poverty.

The widening development deficits referred to earlier constitute a *demand for change*, and create *opportunities to improve the peoples' living standards*. Yet, until the continent acquires the capacity to generate knowledge and to add value, the conditions of the people are not likely to change for the better. This is the subject explored further in the succeeding paragraphs.

**Table 2.2: Primary Commodity Prices: 1970–2001<sup>39</sup>**

Commodity	1970	1980	1995	1996	1997	1998	1999	2000	2001
Non-energy	156	159	104	103	114	99	88	89	82
Agriculture	163	175	112	113	124	108	93	90	83
Beverages	203	230	129	113	165	141	108	91	75
Food	166	177	100	111	112	105	88	87	89
Metals and Minerals	144	120	87	80	87	76	74	85	78
Cotton (cents/kg)	225	260	182	159	169	145	118	134	109
Logs, Cameroon (4/cu.m)	153	319	290	256	275	287	270	283	275
Cocoa (cents/kg)	240	330	122	131	156	168	114	93	111
Coffee, robustas (cents/kg)	330	412	237	162	168	183	150	94	63
Coffee, arabica (cents/kg)	409	440	285	242	403	299	230	197	142
Tea (cents/kg)	298	211	127	149	199	205	185	192	165

Source: World Bank, *World Development Indicators 2002* (Table 6.4).

### **Productivity Consciousness**

The upshot of the preceding analysis is that Africa lags behind the rest of the world (with the possible exception of East Asia and the Pacific) in

science and technology, and in the production of consumer as well as capital goods. As argued in another paper<sup>1</sup>, the declining productivity is itself a symptom of a deeper malaise—the failure of the bulk of ‘producers’ to add substantive value to the economy. The paper estimates that in a typical under-developed economy, approximately 5 percent of the population is engaged in value-adding pursuits, another 90 percent moves back and forth from under-employment, through misdirection of energy, to total idleness, while the remaining 5 percent is involved in activities—including criminal and predatory activities—that harm, rather than help, the economy. The normal curve below (Figure 2.1) is a hypothetical representation of the activities of the three groups. The paper acknowledges the possibility of the curve skewing one way or the other, depending on the circumstances prevailing within each national economy.

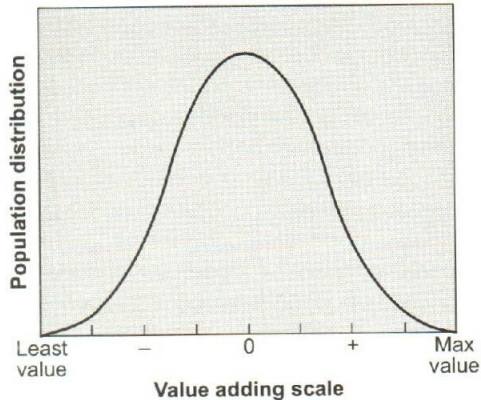


Figure 2.1: Contributions by different population groups to the pie in an underdeveloped economy

If the assumptions underlying Figure 2.1 are correct, poverty will not respond to any ‘trickle down’ interventions. For a start, the corrupt and the predatory tendencies on the negative end of the scale will not allow any tangible benefits to trickle down to the poor. And if some of the outputs produced by the 5 percent on the positive side of the scale are transferred/donated to the sponger elements in the population (particularly, the 45 percent on the negative end of the scale) this unearned surplus is unlikely to be utilised in value-added activities to transform the economy.

To boost the productivity of the African economy, it is essential that the subject be moved from academic workshops to the workplace. This further entails encouraging productivity improvement and performance monitoring, elimination of productivity bottlenecks, and, above all, investment in infrastructure development.

### **Quest for Excellence and Perfection**

It is also not enough to add value to raw material. To beat the competition, it is essential that the final outputs be of the highest quality. The search for excellence and perfection is eternal. Aviation would never have made a start without the Wright brothers’ seminal, but crude, attempts at flying.

It (aviation that is) would never have made it to this day without the subsequent investments in aerodynamics research, and in the construction of air fleets that pass the critical safety tests. More or less the same applies to the steam engine, the motor car, radio and wireless communication and the bush lamp. If the computer keyboard had not replaced the electric typewriter, and the latter had not replaced the good old Olivetti prototype, and Olivetti had not rendered hieroglyphics and calligraphy obsolete, this paper would have taken longer than it did!

Much has also been said and written about Africa's unsuccessful efforts to penetrate the world market. While acknowledging tariff and non-tariff barriers as an issue to be urgently addressed, improved product quality is a factor in external competitiveness. Taken together with the other components mentioned earlier, constant improvement in product quality will go a long way in enhancing Africa's wealth creation prospects and in defeating poverty.

### ***Redirection of Policies Away from 'Down-Sizing' to Job Creation and Poverty Eradication***

With emphasis on productive use of resources, governments need to revisit the cost-cutting thrusts of contemporary structural adjustment programmes. For a start, a substantial proportion of the resources currently expended on 'wooing' investors and big business should be diverted to such productivity-enhancing ends as technical and vocational training, energy generation and development, construction and maintenance of rural roads and infrastructures, provision of credit and advisory services to producers' cooperatives and smallscale enterprises, and the implementation of employment generating projects in local communities. Loss-incurring public enterprises should be given every opportunity to improve on their performance before they are sold off to job-cutting and profit maximising private investors.

### ***Enhancement of the Growth Facilitation and Backstopping Capacities of Public Agencies***

The public service has an important role to play in the implementation of the new wealth creation strategy. First and foremost, it needs to reconsider going back to what it did right in the past—particularly, in the colonial and the immediate post-independence period. Before prodigality and corruption marred its image—that is, before it descended into a paper-chasing, process elongating and rent-seeking bureaucracy—the African public service was a facilitator of growth, a mobiliser of surpluses, and a dependable, if slow, service-delivery agent. The ministries of agriculture

not only provided vital extension and advisory services but also organised peasant farmers into cooperatives. The agricultural marketing boards served as a bridge between the small producers and their overseas clients—transporting and selling the former's commodities to the latter. This is what helped the cocoa farmers of West Africa to obtain fair prices for their export commodities in the colonial and early post-independence period. The same applies to the cotton and the tobacco producers in other parts of the continent.

With the adoption of structural adjustment policies, many of the agencies that had once served the poor were either abolished or 'privatised'. The time would appear to be ripe to retrieve the baby that had been thrown away with the bath water. The argument is not that Africa should return to the primary commodities that are currently faring badly on the world market, but that the public service should resume its previous role of backstopping the small producers—be they garment manufacturers, herbal medicine specialists, steel fabricators, or 'road-side' mechanics. The 'visible' hand of government is very important in poor developing countries that are characterised by small producers, and by other economic actors that are unable to organise themselves effectively to face stronger external competition.

Attention has thus far focused on the measures that need to be instituted as part of the new wealth creation strategy. The next section focuses on conditions that must subsist to realise the strategy's underlying objectives.

## **V. Preconditions for Successful Implementation of Wealth Creation Strategy: A Summation**

Wealth creation (together with poverty eradication) will be a daydream unless and until certain conditions are fulfilled. The first (and mother) of all conditions is leadership. By this is meant a leadership class that not only has confidence in its own abilities, and in the people's creative potential, but is also *genuinely* committed to the eradication of poverty. As a sign of its earnestness, such a leadership class will spare no effort in creating the second set of conditions; that is, a governance environment that is supportive of wealth creation.

### ***Genuineness of Leadership's Poverty Eradication Intentions***

The role of leadership in development has been highlighted by a number of scholars. Adedeji in particular, singles out visionary leadership as a

factor in Africa's development<sup>40</sup>. According to him, a leader without a vision is a fraud on society. If such leaders exist—that is, leaders who see their fortunes as lying in the perpetuation of their followers' agonies—Africa's poverty will not go away any time soon. For as long as short-sighted individuals remain at the helm of affairs, they will frustrate efforts at eradicating poverty and will support only those efforts that extend and consolidate their personal (and family) holdings. Such leaders will not pass up opportunities to stoke conflicts that serve their narrow interests, and, as once noted by a leading psychiatrist and former Deputy Director-General of WHO, Adeoye Lambo, will not be averse to total dissolution of society<sup>41</sup>.

Fortunately, Africa is not lacking in visionary leaders. A token of leadership vision is the unequivocal commitment to the principles of human dignity, equity and justice—all defined with the notion of reciprocity in mind. Thus, a leader with vision will invest a lot of time and energy on the establishment of legal and institutional arrangements that promote equity and balance conflicting or competing interests. When in power, a visionary leader will treat others as s/he would like to be treated when s/he is separated from the apparatus of control and coercion.

From the point of view of wealth creation, the key leadership attributes are:

- (i) commitment to the dignity (and self-esteem) of Africans, regardless of their ethnic origin, religious affiliation, gender or socio-economic class;
- (ii) willingness to formulate policies and strategies that promote sustainable conversion of natural endowments into assets, and *equitable* distribution of policy outcomes;
- (iii) bias towards productive utilisation of time and factor inputs; and
- (iv) unceasing craving for excellence and intolerance of mediocrity and corruption (including encouragement of the creative genius of the people).

### ***Effectiveness of Institutions***

Leadership vision is essential, but it will not impact positively on the wealth creation process until the key governance institutions—the executive, the legislative and the judicial branches of government, political parties, civic and non-governmental organisations—are in place and functioning properly. The wealth creation ideal-construct places strong emphasis on unleashing the creative energies of the people (and particularly, the poor). This requires greater, not less government involvement in socio-economic life. The legislature should be able to pass the appropriate wealth creation measures into law. The executive (and particularly, the law enforcement

arm of the executive) should ensure faithful implementation of the approved policies. In the event of a dispute arising on the interpretation of the law, or the motives and decisions of the enforcement agents, the judiciary should step in to arbitrate. If any branch is amiss in the discharge of its obligations, a state of uncertainty will prevail with dire consequences for wealth creation incentives.

Corruption has a way of rendering the behaviour and/or performance of state institutions unpredictable. When the judiciary, the police and the associate law enforcement agencies are corrupt, the motivation to create wealth will be seriously undermined. When the bribery of judges and the police prevents simple contractual obligations from being enforced, the entire foundation for productivity enhancement is shaky. As Adedeji rightly observes, a leader that vanquishes corruption is more than halfway to the finish line in the development race<sup>40</sup>. Under visionary leadership, adequate safeguards will be introduced to check-mate freaky behaviour in the three branches of government, and to root out corruption.

### ***Buy-In by Political Parties and Civic Groups***

Without the buy-in by political parties and civic groups, 'poverty alleviation', and possibly, 'wealth creation', will for ever remain on the agenda of academic conferences while the poor continue to suffer. It is thus essential that the political parties and civil society organisations begin to forge broad coalitions dedicated to legitimate wealth creation pursuits and to the total banishment of material as well as intellectual poverty from the African shores. This requires that the policy and strategic wings of political parties and of civil society organisations be repositioned for their new role. By repositioning, we mean, organising policy seminars focusing on wealth creation challenges and priorities, the capacities needed to meet the challenges and implement wealth creation programmes (or projects), and the governance reform measures to undertake in support of wealth creation efforts. In addition to the policy seminars, research and training institutions should provide the necessary technical and advisory services on the design and implementation of wealth creation strategies, on the establishment of R&D units, and on how to handle copyrights and intellectual property issues.

### ***The Poor's Willingness to 'Associate Together' and to Make Good***

The successful implementation of any wealth creation strategy hinges largely on how the generality of the people view their role. The poor, in particular, is unlikely to get out of his/her condition until he/she begins

to take control of his/her life. There is a limit to what s/he, working alone, could accomplish. However, when s/he joins forces with similarly placed individuals, the chances are good that the resultant group action would succeed in influencing the contents and directions of public policy. It is therefore essential that members of the various trades (bricklaying, carpentry, plumbing, electrical wiring and installation, to name a few) be assisted to perfect their 'art of associating together', and to promote the cause of excellence within their technical and professional fields. In collaboration with governments, the trade associations need to establish or reactivate technical institutes and trade centres offering training programmes in the different fields, and engaged in the constant search for excellence.

### ***The Public Service's Readiness to Support Wealth Creation Pursuits***

The career public service is another sub-set of institutions whose wealth creation competency needs to be enhanced<sup>42</sup>. However, the poor cannot count on its support until proactive measures are taken to transform it from a paper-chasing, process-elongating, and favour-dispensing body to one that is out to serve all, including the hitherto disadvantaged groups. The focus of effort here should be on changing the mindset of officials from one that seeks to control to one that actually opens doors of wealth creation opportunities. The revitalisation of the service delivery systems should form an integral part of the competency enhancement programme. The role of the public service in registering patents and copyrights, and in providing quality and timely service should also be underscored.

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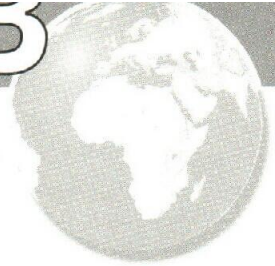
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# Chapter 3



## **Good Governance for Wealth Creation and Equitable Income Distribution in Africa**

*Walter O. Oyugi*

### **I. Introduction**

The purpose of this chapter is to discuss the factors responsible for poor socio-economic performance in Africa since independence, and to suggest how the said problems can be tackled in the interest of social justice. The chapter starts from the position that, in spite of many interventions that have been directed at engineering socio-economic development on the continent, the situation on the development front seems to have taken a nose-dive, especially during the last two and a half decades or so.

The point of departure in this chapter is a seminal essay by Dudley Seers on the subject of development<sup>1</sup>. In that essay, Seers contends that 'development' is a normative concept, and that to pretend otherwise is to hide one's value judgements. From there he submits that in determining whether a country is developing or not, the critical questions to ask are: What has been happening to poverty? What has been happening to unemployment? and What has been happening to inequality? If all these have declined from high levels, then beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the results 'development,' even if per capita income doubled. This applies of course to the future too. A 'plan' which conveys no targets for reducing poverty, unemployment and inequality can hardly be considered a 'development plan.'<sup>1</sup>

Data is presented in this chapter to demonstrate that the efforts which various African governments have engaged in since independence with a view to bringing about socio-economic development in their respective countries, have by and large, failed and have instead resulted in accelerated underdevelopment; which is to say that, the efforts have accentuated the problems of poverty, unemployment, and inequality—the three major

indicators of development mentioned by Seers. The question to ask is, Why has this been the case?

A number of factors combine to explain the situation in which most Africans find themselves today, namely, the state of poverty accompanied by rising inequality in the distribution of scarce resources and income. A major factor responsible for this development has been the poor political and economic governance since independence. The emergence of authoritarian regimes on the right and the left together with the neo-patrimonial style of leadership that accompanied them would over the years influence the structure of access, which pays little attention to the criterion of relative need. Against this background, therefore, the current 'efforts' by a number of African countries directed at economic recovery and poverty alleviation are unlikely to make any difference unless they simultaneously put in place mechanisms for good governance linked to wealth creation and fair and just distribution of the same. This is the challenge to be met, and whether or not it can be met is another concern of this essay.

## **II. Poverty in Africa: Nature, Scope and Root Causes**

For development efforts to address poverty-related issues, the notion of poverty has to be clearly defined since what it is, is not a settled issue. A recent world-wide assessment of poverty concluded that poor people report their conditions largely in terms of material deprivation: not enough money, lack of employment, inadequate food, clothing and housing, allied with inadequate access to health services, education and clean water. They also gave weight to non-material factors: inadequate security, peace, dignity and power to control their own destinies<sup>2</sup>. In a 1979 study, Peter Townsend defines poverty as relative deprivation. Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and enjoy the living conditions and amenities which are customary, or are at least widely encouraged or approved, in the societies to which they belong. Their resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns, customs and activities<sup>3</sup>.

Globally, there has been a tendency to define poverty in terms of private income/consumption with the US\$ 1 per day/per person income norm used as a rough measure of the poverty line (World Bank). It has been suggested that if this definition is used, there are today 340 million or half the population on the continent living below the poverty line. In fact if the assessment is confined to sub-Saharan Africa (SSA), the percentage moves from about 50 percent for the continent to 60 percent for those who live in absolute poverty. However, the depth and incidence of poverty differs

between and within the sub-regions. For example, in North Africa, 22 percent of the population live below the poverty line of US\$ 54 per person per month, and in SSA, 51 percent of its population live below the poverty line of US\$ 34 per person per month. The average income of rural poor is US\$ 14 per person per month while that of urban poor is US\$ 27<sup>4</sup>.

Aggregate economic performance in SSA is worse than in other regions of the world with per capita incomes falling in 1980s and early 1990s. Few countries in sub-Saharan Africa are likely to realise the UN millennium development goals by the year 2015, particularly, when one considers that the number of poor people in the region also increased from 217 million to 291 million over the same period<sup>5</sup>.

With specific reference to Africa, what further complicates the poverty situation is a cycle of disasters; some natural, e.g. drought resulting in famine, others man-made, e.g. internally instigated ethnic conflicts, which interfere with normal economic activities. Poverty arising from these sorts of situations is what one historian has referred to as transitional or 'conjunctural' poverty (or crisis-based poverty)<sup>6</sup>.

Otherwise, chronic poverty is the prevalent type; it has a long duration and is intergenerational in transmission, that is, it exists in a situation in which the poverty cycle is not being broken. A whole lot of susceptible groups fall into this category: people discriminated against for a variety of reasons; those with health problems and impairments; those living in areas where natural resources are fragile, degraded and of low productivity, or those deprived of any access to land or other productive assets essential to sustainable livelihood; those living in remote rural areas or urban ghettos; those living in regions with prolonged and violent conflict and pervading insecurity (list developed by UNCDF)<sup>7</sup>. The authors of the UNCDF report contend that given all these situations, the chronically or structurally poor are numerically the most important and constitute the hardcore of the overall poor.

In a more fundamental way, the explanation about the emergence and growth of poverty has to do with the corresponding decline in employment opportunities accompanied by widening inequality between individuals, families, socio-economic groups and regions. These problems were inherited at independence in most African countries and have been accentuated since then as a result of poor socio-political and economic governance regimes put in place since independence. To appreciate the context in which this scenario emerged one has to look at the nature of the state in Africa in the post-independence period.

According to Roseberg and Jackson<sup>8</sup> the problem in Africa has been the emergence of personal rule regimes—regimes that neither rest on, nor function according to, the institutional logic. They are personal in the sense that the state is a captive of the ruler and his *coterie*. It is a regime whose actions are expressed through the institution of patronage with services

being directed to individuals, groups and regions that are perceived to be supportive of the regime. The net effect has been the design of a structure of access, which has tended to exclude those perceived not to be supportive of the regime. The neo-patrimonial, rent-seeking, and un-civic state described by Balogun is a clear example of a thoroughly privatised state<sup>9</sup>.

The weaknesses inherent in the behaviour of personal rule (or neo-patrimonial) regimes have made others to characterise the state in Africa as being 'soft'—'soft' in the sense that what is superficially seen as a strength is a manifestation of its underlying weaknesses rooted in the social structure of society<sup>10</sup>. In other words, the state in Africa is a captive of vested interests that have exploited it to their advantage. Under such circumstances whatever policies a country may put in place intended to address the problem of poverty end up being frustrated and eventually abandoned for fear of disturbing the *status quo*. This explains why the problem of poverty and its other related phenomena, namely, unemployment and inequality have been on a steady rise since independence and have been aggravated in the last 30 or so years by the policies the various governments have implemented over the years.

A much more serious development in Africa has been the privatisation of the state. (This should not be confused with privatisation of state enterprises.) The privatisation of the state started in most African countries during the first decade of independence and for some of them it was the first order of business right from the date of independence. With a fluid political environment in a number of African countries, characterised by uncertainty about the stability of most of the regimes on the continent, a sense of fatalism at once emerged among the political and bureaucratic elite. Transformed into a behaviour pattern, it meant the perception of public office as an opportunity for accumulation. Unsure about what tomorrow would hold, many political and bureaucratic elites began to use their privileged positions for personal and family gains.

The concern for self and the family would sooner rather than later compromise the elites' position as the promoters and defenders of the public interest. The situation was aggravated throughout the continent when in many countries public servants were formally allowed to engage in private business. In many countries, this was merely a legitimisation of a practice, which had been going on right from the dawn of independence. Operating from a position of advantage with regard to access to critical information, public servants immediately became a 'priced commodity' coveted both by the local business elite and the subsidiaries of multinational corporations (MNCs). Soon what one political economist once referred to as a symbiotic relationship<sup>11</sup> would emerge between the public servants and those interested in using them to further their business and other material interests. The seeds of corruption had been sown and from then

on, the culture of corruption germinated and spread its roots throughout the economies with the public servants being major players through facilitation.

Corruption breeds unemployment as it diverts resources from productive ventures to wasteful ends, or makes investment ventures more expensive and thereby reducing opportunities for gainful employment. By its very nature, corruption leads to systemic inequality and artificial class stratification. Ultimately, it leaves the majority of the labour force in a position of relative disadvantage. The symbiotic relationship referred to above especially between the political and the bureaucratic elite has made regimes in Africa quite insensitive to the plight of the poor. The so-called lack of *will* for action is in fact a mirror of what conflict of interest can cause in a polity when private and public interests are blurred.

The point to drive home is that, the root causes of poverty in Africa are traceable to the undesirable developments that have taken place in the society and particularly in the management of public affairs since independence. The reality of the situation then is that the causes of poverty in Africa have very strong roots in the state–society system. Therefore, to address the problem of poverty is to address its root causes.

The varied nature of the circumstances generating poverty suggests that there is no common approach to its 'alleviation'. Each set of circumstances within which poverty manifests itself requires its own unique approach; and this is the challenge, which the *movement* for good governance for wealth creation and distribution has to grapple with. Therefore, in trying to address the challenge of poverty and particularly in designing capacity building strategies for good governance for wealth creation and distribution, attention must focus on *all the unique circumstances surrounding the manifestation of poverty in SSA*.

Unless this is done, the strategic objectives of good governance for wealth creation and distribution, namely, achievement of sustainable development, alleviation of poverty, reduction of unemployment and promotion of equity, can only remain illusory visions. Therefore, the key question is: How can a system of good governance for wealth creation and distribution be designed?

### **III. Comparative Lessons of Experience in Addressing the Challenge of Poverty, Inequality and Unemployment**

In this section an attempt is made to compare and contrast the experiences of selected African countries in their efforts to strengthen the governance realm's capacity to address the triple challenge of poverty, inequality and unemployment.

## **The Movement for Economic Reform**

Africa reacted to declining economic performance by coming together under the auspices of Organisation of African Unity (OAU) and Economic Commission of Africa (ECA) to find ways and means of placing the continent on a path of development and self-sustained growth. The outcome was the preparation and publication of a policy document generally referred to as the Lagos Plan of Action (1980). The document in a broad and at times detailed manner, discusses how African states could collaborate in critical functional areas of the economy to avoid over-reliance on external assistance. However, the document was not well received by the G-7 and the Bretton Woods institutions. The Africa Recovery Strategy published in 1981 appears to have been a response to the African initiative. Authored by the World Bank, its point of departure in the analysis of the economic crisis then facing the continent was to put blame on poor governance in Africa. In particular, the report argued that contrary to the views from inside Africa that the problems were externally induced, the causes of the problem were attributable to the prevailing political environment within the continent—an environment which had impacted negatively on socio-economic development. The World Bank document singled out what it characterised as ‘unwarranted intervention’ by the state in economic management and suggested that the state should disengage from interfering in this field, and instead concentrate on providing an enabling environment for investment needed for economic growth and development.

The recommendations contained in this document were to provide the basis upon which what today is referred to as structural adjustment programmes (SAPs) were to be anchored. Among the core elements of structural adjustment reforms are privatisation of state-owned enterprises, elimination or reduction of agricultural input subsidies, decontrol of producer prices, freezing of public service vacancies, elimination of public agricultural marketing agencies or permission of private competition, handing over of importation of agricultural inputs to the private sector, substantial increase in producer prices, reduction or elimination of food subsidies, realignment of exchange rates and adoption of floating market rates<sup>12</sup>. In short, the World Bank called for the liberalisation of the economy<sup>12</sup>. The first SAP-related policies began to be implemented in the early 1980s and since then, there is no country in Africa, whose development policies have not been subject of influence by the Bretton Woods institutions.

While changes were being introduced on the economic policy front, little was done on the political front until towards the end of the 1980s. In fact attention to political matters was only facilitated by the collapse of communism and the consequent weakening of authoritarian regimes. Most of these regimes had, before the disintegration of the Soviet Union,

enjoyed the patronage of the West. With the disappearance of the Soviet threat, the West began to withdraw its support for its erstwhile, but authoritarian, allies, and began to call for good governance as a condition for development assistance. Many of these regimes initially put up stiff resistance, but were forced to give way as a result of a combination of domestic and external pressures.

The movement for economic reforms initiated under SAPs was to remove the state as a key actor in economic development and in so doing, minimise if not eliminate corrupt practices that had made doing business with government a very expensive affair. It was hoped that the move would encourage substantial private investment in the economy and hopefully with increasing investment, an increase in gainful employment, and progress in the 'alleviation' of poverty. Unfortunately, after more than a quarter of a century since the introduction of SAPs, the triple problems of unemployment, inequality and poverty in Africa have grown rather than diminished. The situation can be deciphered from the data on poverty in Africa (Table 3.1). Indeed, a recent report on SADC regional development situation reports that poverty levels in the region have risen during the recent past mainly as a result of the negative impact of economic reform programmes<sup>13</sup>.

From the table on the distribution of income (Table 3.2) the lowest 10 percent of the population in SSA countries receive between 0.5 percent at the lowest end in the case of Sierra Leone and Guinea Bissau to 4.2 percent on the higher side for Rwanda. In comparison, the highest 10 percent of the population receive between 24.2 percent in the lowest end represented by Rwanda to 50.2 percent in Swaziland with the rest of the countries lying in between. This suggests that, there is concentration of income in the hands of a tiny minority in most of the African countries. Of the 24 countries in SSA for which data is available, seven countries have more than 50 percent of the population living below the international poverty line of one dollar a day.

The situation is actually much worse when the focus is on individual countries. In Kenya, for instance, the number of people living in poverty is estimated to have risen from 11 million (or 48 percent of the population) in 1990 to 17 million (or 56 percent of the population) in 2001<sup>14</sup>. All this has been happening in spite of the structural adjustment measures instituted to-date.

Indeed, studies carried out on the effects of SAPs on the performance of the economies of Africa conclude that in the majority of cases the measures have had more negative than positive impact on the socio-economic conditions of the poor. This underscores the importance of the question raised earlier on, namely, who benefits from policies and programmes introduced to promote economic growth? Available evidence (including

the data presented in this chapter) suggests that, the poor have consistently had a raw deal while the men and women of privilege have continued to rake in whatever benefits that contemporary structural adjustment policies produce.

SAPs have not only failed to stabilise the socio-economic situation in Africa, but have also failed to strengthen the public service. In late 1987, AAPAM organised a roundtable conference devoted exclusively to the assessment of the impact of SAPs on the performance of public services in Africa. Most of the papers presented at the said conference produced evidence clearly indicating that SAPs' effect had been counter-productive, and had contributed to unemployment and poverty without in any way improving the morale and efficiency of the service as had been intended<sup>15</sup>.

### **The Movement for Good Governance**

Good governance as defined above is an inclusive concept—a rubric under which economic, political and administrative aspects can be discussed. In this section, the focus is exclusively on politico-administrative governance. The focus is on how political governance impacts on socio-economic development, poverty eradication, reduction of inequality and employment creation. As noted earlier, the clamour for good governance in Africa was initially resisted, and even when leaders in various countries were forced to embrace it, they did so reluctantly. That reluctance later manifested itself in the manner in which a number of leaders tried to reverse the achievements of the movement for change.

The regimes that emerged during the era of democratisation started with reform plans, and pledged to eliminate governance malpractices. The malpractices in question included mismanagement of public resources if not outright involvement in corrupt practices as a strategy of self and/or group enrichment. Indeed there has been a lot of public posturing in this sphere, which borders on the *façade*. In reaction to pressure from the donors, many countries have put in place institutions and mechanisms designed to contain and reverse what over the years has emerged as rampant corruption in the body politic. In practice, however, these institutions have not been empowered to do what they were originally intended to do. This is the case with institutions such as the Kenya Anti-Corruption Authority (KACA) before it was transformed into Kenya Anti-Corruption Commission (KACC); the anti-corruption programme initiated and the establishment of Inspector General of Government in Uganda<sup>16</sup>; the establishment of the Directorate on Corruption and Economic Crime in Botswana in 1994; and the creation of the Office of Inspector General of Government in Côte d'Ivoire. The story is the same in a number of African

countries with the institutions of Auditor General and Parliamentary Watchdog Committees. Cases of senior public servants refusing to appear before such committees and getting away with impunity have been reported. Systematic withholding of critical information (as well as outright refusal to release relevant files) is commonplace. In any case, where systemic corruption is deeply embedded in the political economy, measures intended to strengthen the performance of public sector will yield poor results. Damian Kato's observation is relevant:

In spite of many institutions and programmes put in place to tackle the problem of corruption and related vices, the fact still remains that lack of ethical behaviour, transparency and accountability in the public management remains a major obstacle to development in many African countries<sup>17</sup>.

Indeed, in an attempt to assess the state of ethical behaviour and accountability in African public services, the UNECA within the framework of its then Special Action Programme of Administration and Management (SAPAM) organised in collaboration with AAPAM two senior policy workshops at which papers addressing the issues of public service ethics and accountability were presented. The papers unanimously agreed that corruption remained an endemic problem throughout the continent. Another conclusion that could be drawn from the papers is that not much could be expected to change in the public service front without a change in the political culture<sup>18</sup>. The point to stress here is that, efforts directed at improving the governance realm have been frustrated by those whose interests are threatened by change.

#### **IV. Reforming Public Sector Management for Efficient and Effective Management of Economic Growth**

Reorganising the public sector for efficient and effective management of government business has been a major plank in the World Bank/International Monetary Fund (IMF) reform programme. There is no country in Africa where the two institutions operate which has not introduced one form of public sector reform or another. Among the measures adopted are the privatisation of state enterprises and the 'commercialisation' of a range of public service operations. Privatisation took place without anyone posing the question of who stands to gain or lose from the process. The states were forced to dispose of their assets *after* investing heavily in them to make them attractive to prospective buyers. Once the enterprises had been rehabilitated, the new owners invariably turn out to be non-indigenous entrepreneurs or subsidiaries of multinational corporations.

In the disposal of these assets, the end tended to justify the means. Nobody was concerned about the negative effects of such transfers on the socio-economic situation in the countries concerned. Besides the job losses that came with divestiture and downsizing, people who had over the years been housed in government quarters were forced to give up the houses in return for housing allowances which were far below the rents charged by private landlords. The new owners of the enterprises were under no obligation to 'inherit' the former employees and the massive retrenchment that followed the change of ownership exacerbated the unemployment (and by implication, poverty) situation. The newly privatised enterprises could hardly expect any relief, as the forces of globalisation and economic liberalisation soon removed the protection that they once enjoyed. The open-market policy flooded the market with substandard goods and services, and compelled a number of local companies to close down.

The informal sector that should absorb the growing number of unemployed is itself under siege, thanks to its operators' frequent harassment by law enforcement agencies. It is not far fetched to suggest that, such economically displaced persons would over time, provide the reservoir from which criminal gangs would emerge, more so, as the struggle to survive becomes intense.

Civil service down-sizing is another reform measure that has impacted negatively on the poverty alleviation efforts. The rationale behind this measure is that, reducing the number of civil service employees would enable the government to pay living wages and in the process enhance the workers' morale. The programme was hurriedly planned and implemented without calculating the costs for the retrenched and for the economy. In a number of countries, civil service retrenchment has left a trail of misery: people committing suicide due to lack of jobs, families breaking up due to the sudden turn of the bread winners' fortune, and mass migration in search of the elusive good life. More importantly, however, there has not been any evidence that the quality of service provided by the Civil Service has improved because of policies associated with down sizing. Increasing senior officials' take home pay has certainly not eliminated the threat of grand (and petty) corruption. Since corruption by its very nature constitutes an obstacle to development, it is difficult to see how a downsized but corrupt bureaucracy could be relied on as an instrument of wealth creation, and as a reliable partner in the war on unemployment, poverty and inequality.

The foregoing discussion indicates that the efforts made by African governments to implement public service reform efforts have failed dismally to deliver on their underlying promise—that is, to reposition the public service for the challenge of economic growth and poverty eradication. The question to ask is whether there is any exit option.

## V. Poverty Exit Options<sup>19</sup>

Exit options as used here refer to the kind of interventions that are critical in a general sense if the problems of poverty, unemployment and inequality are to be satisfactorily addressed. In suggesting the general exit options, one is of course reminded of the point made above, namely, that each country situation requires its own unique solutions. It is with that in mind that an attempt is made to present some broad suggestions which may or may not be applicable in some countries. This approach is informed by the fact that this is a regional, rather than a country-specific study.

The earlier observations on the nature of the state suggest that the starting point must be how to change the mode of governance in Africa to ensure that those charged with responsibilities of managing the affairs of the state are responsive, accountable and committed to rational management principles. If poor governance is a factor in Africa's development, perhaps the starting point is to state what its opposite, 'good governance', entails. As the UNDP submits,

Good governance is, among other things, participatory, transparent and accountable. It is also effective and equitable. And it promotes the rule of law. Good governance ensures that political, social and economic priorities are based on broad consensus in society and that the voices of the poorest and the most vulnerable are heard in decision-making over the allocation of development resources<sup>20</sup>.

Put differently, *good governance* is responsive governance. Its hallmarks are the rule of law; fair and efficient system of justice; broad popular involvement in political, social and economic processes; the capacity to manage development; and accountability and transparency in the management of public affairs<sup>21</sup>. On the same ECA adds:

Good governance is the efficient and effective management of public affairs and problems in dealing with the critical needs of the society. The concept entails two distinct but inextricably intertwined dimensions. One is political and relates to the commitment of the system to participation, equity and legitimacy. The other is technical and relates to issues of efficiency of the public management system.<sup>4</sup>

If the concern is the creation of wealth and the equitable distribution of income, then good governance must be linked to the commitment to serve the public interest. In this context, public interest must be expressed through policies that address poverty, unemployment and inequality. If wealth creation is a central concern as an exit option in addressing the tripartite issues (of poverty, unemployment and inequality), the questions of what constitutes 'wealth', of who controls it and with what consequence must be clearly posed and honestly answered. As argued in the second

Chapter by Jide Balogun, one cannot say that Africa is lacking in resources. The continent is endowed with a lot of natural resources: fish in its great lakes and rivers, forests all over its environment, minerals of various kinds, arable land in the greater part of SSA and of course an abundance of highly trained manpower. Like the human resource, the other resources have been badly managed and grossly under-utilised. Whatever surplus value is generated from the exploitation of African natural resources has always ended up in the hands of a few individuals and in the hands of their foreign collaborators<sup>22</sup>.

A number of economic recovery strategy documents prepared by some African countries in recent years convey the impression that the shift from state-controlled to market-oriented economy by itself constitutes 'pro-people' or 'pro-poor' reform. Nothing could be farther from the truth. A self-confessed 'economic hit man' (that is one hired to sabotage development designs that threaten the interest of US corporations) had this to say about the illusions of economic growth and 'poverty alleviation':

That is what we EHM's (Economic Hit Men) do best: We build a global empire. We are an elite group of men and women who utilize international organizations to foment conditions that make other nations subservient to the corporatocracy running our biggest corporations, our government, and our banks. Like our counterparts in the Mafia, EHM provide favors. These take the form of loans to develop infrastructure...A condition of such loans is that engineering and construction companies from our own country must build all these projects. In essence, most of the money never leaves the United States; it is simply transferred from banking offices in Washington to engineering offices in New York, Houston, or San Francisco.<sup>22</sup>

Until public policies target issues of direct concern to the poor and empower this class of persons to improve their socio-economic conditions, they (the policies) could not be reasonably described as pro-poor. This is one clear justification for interrogating contemporary wealth creation and poverty alleviation policies.

To cite an example from Kenya, a strategy document produced in 2003, while coming out strongly in favour of a market-oriented economy, does at the same time acknowledge the failure of previous market-oriented policies—policies which the document associates with corruption, mismanagement, unmanageable borrowing on the domestic market, poorly conceived public investment programmes, wastefulness, as well bad political and administrative governance. Strangely, the document excluded the private sector in the categorisation of bad governance. Yet the private sector is also deeply implicated in poor economic governance in Kenya. For good governance to prevail across the board, the then Minister for Planning and National Development, Professor Peter Anyang' Nyong'o, advises as follows:

...there must be our own political resolve and commitment before we even tackle the issues of institutional reforms and the enacting of new good governance laws. While maintaining a sound macro-economic framework, this Recovery Programme gives priority to good governance and the rule of law as the foundation of our economic growth. In this regard, reforms are proposed that will deepen and institutionalise growth with macro-economic stability, good governance, and the rule of law, public security, and social solidarity<sup>14</sup>.

Little has changed since this statement was made. New corruption cartels have emerged to replace the old ones, disregard of the rule of law continues as manifested in the disregard of institutional order, insecurity is a nightmare for both the poor and the rich and macro-economic stability is being challenged by the erratic management of fiscal and monetary policies (as exemplified by manipulation of interest rates by the body responsible for the supervision of the banking institutions).

If wealth creation is directed at improving the plight of the poor, redistributing income and reducing inequality, then one would expect the state to be strong and stable—definitely much stronger than was the case in the personal or neo-patrimonial regimes of the past. Redistribution of wealth is about equitable distribution of wealth accruing from development. However, equity as Schaffer and Lamb<sup>23</sup> contend, is an ideological construct about distribution, about the apportionment of resources in society and therefore political in the sense of an intervention in the struggle for political ideas. It is political in its procedural/substantive manifestations, as the realisation through state actions of an important aspect of political/economic interrelations. If equity is manifestly political in its character, then its success requires collective political will—and collective will is what is woefully lacking throughout sub-Saharan Africa, as manifested in the breakdown of consensus in various parts of the continent.

Again Schaffer and Lamb<sup>23</sup> submit that, a criterion of equity must be capable of explaining the distributive outcomes of institutional encounters between the state and the citizens. Equity is about fair distribution of benefits and opportunities among prospective clients. If good governance and equity are as stated above, then under the *ancien regimes* of Africa, they did not attract the attention they desired, which is why inequality in all its manifestations has widened steadily over the years such that today it is estimated that up to 50–60 percent of the population in sub-Saharan Africa live in absolute poverty.

Indeed, if equity is about fair distribution of the wealth that accrues in a society, for that to be realised there has to be political commitment to re-distributive justice. However, re-distributive justice can only be realised in a situation where growth is accompanied with mechanisms for its sustainability. The problem in Africa is that economic growth is usually accompanied by lack of sustainable development. This is partly due to.

the structure of ownership of wealth in Africa. While relevant statistics was not available at the time of writing, it is safe to assume that a large proportion of wealth that accrues from economic growth is repatriated out of the continent by foreign investors, indigenous businessmen, financial speculators and their fellow travellers. Therefore, at any given time, even if there was the determination on the part of the political elite to institute measures geared towards re-distributive justice, still this might not be enough to create any impact on poverty. Perhaps that is why Shaffer and Lamb<sup>23</sup> argue that if social justice is the ultimate purpose of development, its field of application cannot be restricted solely to the sphere of consumption. They submit:

Application of the criterion of equity must doubtless first be accomplished in the sphere of the relationship between production and the distribution of primary incomes, before it entails the elaboration of compensatory policies of redistribution and of the development of collective services.

The point here is that there is a need for 'levelling' and 'mainstreaming' of wealth creation pursuits. That in itself requires that the state be a facilitator in the process of wealth creation and that it empower the various economic classes to participate in the process. It is not just token redistribution and expansion in the structure of access; it ought to be redistribution that leads to sustainable growth and development in the economic activities of those benefiting from redistribution. This requires the identification of the different characteristics of the poor if appropriate intervention strategies are to be put in place. Poverty and inequality can never be eliminated in any society. What is achievable is reduction of the same through a combination of empowerment and state intervention in the financial and social markets. Peter Townsend<sup>3</sup> in his study of poverty in the United Kingdom suggests that some of the interventions might involve:

- (i) abolition of excessive wealth and the establishment of maximum permissible wealth in relation to mean set;
- (ii) abolition of excessive income and the establishment of maximum permissible earnings in relation to mean set;
- (iii) introduction of equitable income structure;
- (iv) abolition of unemployment;
- (v) reorganisation of employment and professional practice to abolish hierarchical work structure but encourage self-dependence and a high level of universal education; and
- (vi) reorganisation of community service.

Townsend's recommendations might be too Utopian to be entertained in policy circles. Still, they may serve as a point of departure in the review of existing policies.

## VI. Conclusion

The experience of Africa in tackling the triple problems of, inequality, unemployment and poverty through wealth creation and income redistribution, suggests that the solutions still remain elusive. The measures taken so far in a number of African countries have tended to yield unintended consequences, including perpetuating the vices they set out to rectify, or in some cases, aggravating the situation. Yet, no attempt has been made to embark on a search for new options. The prevailing political economy—an economy dominated by external actors such as donor organisations and multinational corporations—will simply not allow the policy-making process to countenance, let alone actively push, alternative choices. These external actors have pressured the African economy to open up to global competition at a time when the continent still does not have a voice in the global decision making councils, or a significant presence on the world market. The presence of external actors in an age of globalisation has meant that the little that had been achieved during the first few decades of independence, has been wiped out through policies associated with liberalisation of the economy.

In the circumstances, any attempt to address problems of poverty, inequality, and unemployment, especially where doing so involves fundamental rearrangement of the structure of ownership and access to productive assets, end up being perceived as a threat to the interest of the dominant development partners and/or the institutions that promote these interests. Since the political and bureaucratic elites have interests that intersect or converge with those of these external actors, whatever measures designed to empower the poor and the disadvantaged in the society, are never pursued with the serious commitment they deserve.

Against this background, one wonders whether the poor and the disadvantaged in Africa can ever expect to benefit from any wealth created as a result of contemporary economic growth policies. The position of the UNDP<sup>20</sup> on good governance is that political, social and economic priorities should be *based on broad consensus in the society and that the voices of the poorest and most vulnerable must be heard in decision making over the allocation of development resources* [emphasis, the author's].

It is not enough just to hear the voices of the vulnerable in decision-making—what is important is empowering them to be able to challenge the authorities to address matters which affect their material conditions. Decentralisation policies aimed at achieving the said empowerment have been tried in many African countries without any tangible and sustainable results. Programmes of decentralisation have been pursued on an experimental basis and immediately abandoned once the donor funds have dried out. Even in countries where decentralisation seems to be

doing well today, for example Uganda, chances are that with the passage of time, the good achievements which have been recorded in planning and implementation at the district level and below may be allowed to lapse into stagnation and ultimate decline.

No legislation can put wealth in the hands of the poor even where it has been created in abundance. It is only when people struggle to penetrate the structures of access however designed that they will find themselves as owners of productive assets. The state will empower the poor only if the poor have the mobilisation capacity to confront the state at its points of sensitivity, through what Schaffer and Lamb<sup>23</sup> once referred to as *mobilised participation*, that is, participation as organised social mobilisation, in which crucial changes in the social structure are envisaged, and in which there are significant and improved opportunities for control of institutions.

Access as an expression of redistributive justice only works in a situation where public interest is the dominant factor influencing the formulation of socio-economic policies. The political and bureaucratic elites have demonstrated that this value is woefully lacking in the continent. This is why the submission by Peter Townsend, namely, that poverty and inequality can be reduced by among other factors: abolition of excessive wealth, abolition of excessive income, abolition of unemployment and introduction of equitable income structure, has no chance of even being considered in the context of the prevailing political economy of Africa. Therefore, the notion of addressing the plight of the poor through wealth creation and distribution of the same is mere wishful thinking devoid of an ideological anchor.

Table 3.1: Poverty Lines in Africa

Country	National poverty lines				International Poverty lines		
	Population below the poverty line				Survey year	Population below \$1 a day	Population below \$2 a day
	Survey year	Rural %	Urban %	National %			
<b>NORTH-EASTERN AFRICA</b>							
Burundi	1990			36.2			
Eritrea	1993/4			53.0			
Ethiopia					1995	31.3	76.4
Kenya	1992	46.4	29.3	42.0	1994	26.5	62.3
Rwanda	1993			51.2	1985	35.7	84.6
Tanzania	1991			51.1	1993	19.9	59.7
	1993	49.7	24.4	41.6			
Uganda	1993			55.0	1992	36.7	77.2
<b>WESTERN AFRICA</b>							
Benin	1995			33.0			
Côte d'Ivoire	1993			32.3			
	1995			36.8	1995	12.3	49.4
Gambia, The	1992			64.0	1998	59.3	82.9
Ghana	1992	34.3	26.7	31.4	1999	44.8	78.5
Guinea	1994			40.0			
Guinea Bissau	1991			48.7			
Mali					1994	72.8	90.6
Mauritania	1990			57.0	1995	28.6	68.7
Niger	1993	66.0	52.0	63.0	1995	61.4	85.3
Nigeria	1985	49.5	31.7	43.0	1997	70.2	90.8
	1992/3	36.4	30.4	34.1			
Senegal	1992	40.4		33.4	1995	26.3	67.8
Sierra Leone	1989	76.0	53.0	68.0	1989	57.0	74.5
Togo	1989			32.3			
<b>SOUTHERN AFRICA</b>							
Botswana					1985/6	33.3	61.4
Lesotho	1993	53.9	27.8	49.2	1993	43.1	65.7
Malawi	1990/1			54.0			
Mozambique					1996	37.9	78.4
Namibia					1993	34.9	55.8
South Africa					1993	11.5	35.8
Swaziland	1995			40.0			
Zambia	1991	88.0	46.0	68.0	1998	63.7	87.4
	1993			86.0			
Zimbabwe	1990/1	31.0	10.5	25.5	1990/1	36.0	64.2

Continued on next page

Table 3.1 contd.

Country	POVERTY LINES IN AFRICA						
	National poverty lines				International Poverty lines		
	Population below the poverty line				Survey year	Population below \$1 a day	Population below \$2 a day
	Survey year	Rural %	Urban %	National %			
CENTRAL AFRICA							
Cameroon	1984	32.4	44.4	40.0	1996	33.4	64.4
Central African Republic					1993	66.6	84.0
Chad	1995/96	67.0	63.0	64.0			
NORTHERN AFRICA							
Algeria	1988	16.6	7.3	12.2	1995	< 2	15.1
	1995	30.3	14.7	22.6			
Egypt	1995/96	23.3	22.5	22.9	1995	3.1	52.7
Morocco	1990/91	18.0	7.6	13.1			
	1998/99	27.2	12.0	19.0	1990/91	< 2	7.5
Tunisia	1985	29.2	12.0	19.9	1995	< 2	10.0
	1990	21.6	8.9	14.1			
WESTERN INDIAN OCEAN							
Comoros							
Madagascar	1993/94	77.0	47.0	70.0	1999	49.1	83.3
Mauritius	1992			10.6			

Source: World Bank Development Report, Washington DC, 2001.

NOTE: Africa specific data are abstracted from the global figures in this Report, pp. 280-283.

Table 3.2: Distribution of Income or Consumption in Africa

Country	Percentage share of income or consumption					
	Survey year	Gini Index	Lowest 10%	Lowest 20%	Highest 20%	Highest 10%
NORTH-EASTERN AFRICA						
Burundi	1998	42.5	1.8	5.1	48.0	32.9
Ethiopia	1995	40.0	3.0	7.1	47.7	33.7
Kenya	1997	44.9	2.4	5.6	51.2	36.1
Rwanda	1983-85	28.9	4.2	9.7	39.1	24.2
Tanzania	1993	38.2	2.8	6.8	45.5	30.1
Uganda	1996	37.4	3.0	7.1	44.9	29.8
WESTERN AFRICA						
Benin						
Burkina Faso	1998	55.1	2.0	4.6	60.4	46.8
Côte d'Ivoire	1995	36.7	3.1	7.1	44.3	28.8

Continued on next page

Table 3.2 contd.

DISTRIBUTION OF INCOME OR CONSUMPTION IN AFRICA						
Country	Percentage share of income or consumption					
	Survey year	Gini Index	Lowest 10%	Lowest 20%	Highest 20%	Highest 10%
Gambia, The	1998	50.2	1.6	4.0	55.3	38.2
Ghana	1999	40.7	2.2	5.6	46.7	30.1
Guinea	1994	40.3	2.6	6.4	42.7	32.0
Guinea Bissau	1991	56.2	0.5	2.1	58.9	42.4
Mali	1994	50.5	1.8	4.6	56.2	40.4
Mauritania	1995	37.3	2.5	6.4	44.1	28.4
Niger	1995	50.5	0.8	2.6	53.3	35.4
Nigeria	1996/97	50.6	1.6	4.4	55.7	40.8
Senegal	1995	41.3	2.6	6.4	48.2	33.5
Sierra Leone	1989	62.9	0.5	1.1	63.4	43.6
SOUTHERN AFRICA						
Lesotho	1986/87	56.0	0.9	2.8	60.1	43.4
Malawi						
Mozambique	1996/97	39.6	2.5	6.5	46.5	31.7
South Africa	1993/94	59.3	1.1	2.9	64.8	45.9
Swaziland	1994	60.9	1.0	2.7	64.4	50.2
Zambia	1998	52.6	1.1	3.3	56.6	41.0
Zimbabwe	1995	50.1	2.0	4.7	55.7	40.4
CENTRAL AFRICA						
Cameroon	1996	47.7	1.9	4.6	53.1	36.6
Central African Republic	1993	61.3	0.7	2.3	65.0	47.7
NORTHERN AFRICA						
Algeria	1995	35.3	2.8	7.0	42.6	26.8
Egypt	1995	28.9	4.4	9.8	39.0	25.0
Morocco	1998/99	39.5	2.6	6.5	46.6	30.9
Tunisia	1995	41.7	2.3	5.7	47.9	31.8
WESTERN INDIAN OCEAN						
Madagascar	1999	38.1	2.6	6.4	44.9	28.6

Source: World Bank Development Report, Washington DC, 2001, pp. 282-283.

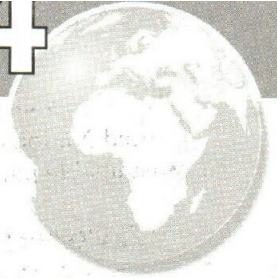
NOTE: Gini index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A Lorenz curve plots the cumulative percentages of total income received against the cumulative number of recipients, starting with the poorest individual or household. The Gini index measures the area between the Lorenz curve and a hypothetical line of absolute equality, expressed as a percentage of the maximum area under the line. Thus a Gini index of zero represents perfect equality, while an index of 100 implies perfect inequality. Percentage share of income or consumption is the share that accrues to subgroups of population indicated by deciles or quintiles. Percentage shares by quintile may not sum to 100 because of rounding (Source: World Bank Development Report, Washington DC, 2001).

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# Chapter 4



## **The Role of Public Administration in Wealth Creation: A Critical Review\***

*M. Jide Balogun*

### **I. Introduction**

Poverty has always been acknowledged as the number one problem facing the developing countries in general, and Africa, in particular. The attention given to 'development planning' and administration in the post-independence period was itself an acknowledgement of the fact that poverty contributes to human suffering and undermines the dignity of nations and their peoples. In effect, poverty was, and remains, an adversary that no government could afford to ignore or underrate. Yet, as central planning became discredited, the role of government (and, to that extent, of public administration) in poverty alleviation gradually receded. By the time 'planning' returned under different guises (structural adjustment and short-term economic recovery programmes, poverty reduction strategy papers, country capacity assessments, millennium development goals) poverty had become too firmly entrenched to be dislodged by a commando operation or vanquished in open, hand-to-hand combat.

As argued in the preceding chapters, victory in this arduous struggle hinges not on the expectation that the benefits of economic growth would 'trickle down' to the poor, but on the substantive measures adopted to empower, or at least, enable, the poor to engage in value-adding and wealth creation activities. This requires, at the very least, the transformation of the public service from an inward-looking, paper-chasing bureaucracy to a citizen-engaging, technology-brokering and wealth creating agent.

In this chapter, we begin by tracing efforts by governments in sub-Saharan Africa to generate economic growth and alleviate poverty. In section three, we argue the case for government–society engagement in

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\*The views expressed here are the author's and are not necessarily shared by the United Nations or any of its agencies.

wealth creation ventures, both as a poverty alleviation strategy and as the new defining role of public administration. In the fourth section, the chapter outlines an institutional and human competency development strategy in pursuance of the wealth creation objective. The fifth and final section focuses on the role of external institutions such as AAPAM, CAFRAD and the United Nations in helping to move the new strategy along a credible and sustainable path.

## **II. Poverty Alleviation from the 1960s to the Present: A Critical Review of Policies and Strategies**

In a lead article, the *Economist* blames Africa's problems (including the deepening poverty) on 'bad leadership' and 'poor governance'<sup>1</sup>. If this is the case, poverty would not cease to be Africa's lot until the continent's fate miraculously changes for the better, with 'good' leadership and propitious governance arrangements replacing 'bad' and jinxed ones. Rather than wait for fortuitous circumstances, we contend that Africa's poverty is a poverty of the wealth-creation intellect—in other words, a deficit of growth-generating, value-adding, demand-fulfilling instincts, knowledge and skills.

As the subsequent paragraphs indicate, the African governments did take proactive measures over the last 40 years to fight poverty. Ever since the attainment of independence in the 1960s and 1970s, one African country after the other has come up with plans aimed at eliminating the scourge. The snag, as the same issue of the *Economist* forcefully and rightfully notes, is that wishes are not horses. While a lot of time and effort have gone into launching development plans, not much attention seems to have been given to how the plans could be *designed and implemented* to lift a growing number of Africans from poverty to affluence. The influential magazine puts the situation as follows:

To be fair, African leaders do, from time to time, draw up plans to solve the continent's problems, but these plans tend to be over-ambitious and impractical... Hardly any of Africa's problems will be solved without sustained economic growth, but African leaders do not seem to be giving this the attention it deserves<sup>1</sup>.

As noted in Chapter Two, poverty has up to now been viewed simply as *material deprivation*. Thus, in attacking it, the attention of central planning agencies has focused on helping the materially deprived (the poor) to gain access to the prized goods and services, and by so doing, *alleviate* his/her condition. This explains the emphasis placed on rapid industrialisation and infrastructure development in the 1960s and the improvement of access to health, education and other 'basic needs' in the 1970s and part of the 1980s.

With the growing influence of 'market forces' and the implementation of structural adjustment programmes from the mid-1980s, attention shifted from distributive equity to the reform of fiscal and macro-economic management mechanisms, and thereafter, to institutional and governance reforms. The assumption underlying the post-independence development strategy and the latter-day neo-liberal reforms is that economic growth would generate sufficient benefits to 'trickle down' to the poor. Experience to-date disproves this fallacy.

### **Central Planning and Poverty Alleviation**

The 5-year development plans implemented in the 1960s up to the 1980s were meant to stimulate economic growth and, by so doing, banish poverty and improve overall living standards. However, the general orientation of, and the methodologies applied in formulating, the plans constitute the main obstacles to the realisation of the underlying poverty alleviation objectives. While experiences varied from country to country and from one period to another, the development plans that were implemented between the 1960s and the 1980s shared the following attributes:

- (i) The heavy emphasis on economic aggregates vis-à-vis the little importance attached to socio-cultural, political and management factors in development planning (as reflected in the explicit targets set for the 'productive' industrial, agricultural, mining and manufacturing, and infrastructure sectors, relative to the implicit and vague references to the role of 'Government and Administration' in growth and development);
- (ii) The active role of economists in central planning agencies and/or ministries of development planning, as against the passive, data-gathering role assigned to non-economists operating in other central government agencies, the field offices and local government councils;
- (iii) The frequent tendency to plan with inadequate and/or grossly unreliable data (leading a notable economist, Wolfgang Stolper to publish a book titled *Planning Without Facts*)<sup>2</sup>;
- (iv) The disconnect between the central planning function and the day-to-day implementation of development programmes and projects in public, private and voluntary, non-profit sectors;
- (v) The tendency to over-estimate the human and institutional capacity of government institutions and to saddle them with heavy responsibilities;
- (vi) The preference for 'prestige' and elite-targeted projects and 'white elephants' over community-uplifting, people-oriented, poverty alleviating, *value-adding* investments;

- (vii) The excessive reliance on foreign aid and technical assistance, coupled with the uncritical acceptance of aid offers promising instant and automatic transfer of 'modern' technology;
- (viii) The neglect of private initiative, as reflected not only in the failure to involve the private sector in the planning process, but also the contempt for the productive capacities that the farmers' cooperatives, produce merchants, and the town/village improvement associations ably and profitably deployed in the dying days of colonial rule; and
- (ix) The lethargy, laxity, indifference and lack of 'customer focus' in civil service bureaucracies.

As earlier acknowledged, countries differed as to the development planning methods applied. For instance, while it is true that professionally trained economists dominated the planning process in the 1960s and 1970s, it is fair to add that other categories of public servants (notably, engineers, health and medical personnel, accountants and statisticians) made substantive inputs as development challenges became increasingly complex and human development and 'basic needs' issues began to loom large in policy discourse. With increasing realisation that poverty was a hydra-headed monster, rather than the economic animal it was thought to be, economists began to solicit the views of non-economists.

It should also be noted that the varieties of decentralisation reform measures instituted in the 1970s and 1980s (particularly, under the rubric of '*ujamaa*' in Tanzania and 'district focus' in Kenya) somehow diluted the heavy economic content of national development plans and ensured a relatively high degree of participation by local communities in development plan formulation and management. By and large, however, the top-down approach to development planning remained in vogue up to the end of the 1980s. This approach left little room for pan-disciplinary, multi-sector, and, especially, for private sector and local community, participation in the planning process.

The enlarged role of government (relative to that of the private and the voluntary sectors) in development planning and management is, in any case, not without some justification. As argued by Subramaniam, the absence of a viable middle class in Africa left government no option but to engage in direct productive activities<sup>3</sup>. The class of officials bequeathed by the colonial administration could not by any stretch of imagination be compared to the entrepreneurial middle class that formed the backbone of capitalist development in western societies. Yet, they established development corporations and marketing boards, and managed far-flung agro-industrial enterprises.

It could further be argued that government intervention became an issue only when publicly run enterprises were seen as prodigal, corrupt

and liable to be grossly mismanaged. However, these negative attributes (sleaze, wasteful allocation of resources and ineptitude) were latter-day aberrations, rather the original defining attributes of public enterprise. In fact, a number of publicly owned entities (such as the Commodity Marketing Boards) mobilised resources that were ploughed back into the development of the infrastructure, the construction of education and health facilities, and the establishment of training and research institutes. In other words, public agencies were involved in the early wealth creation endeavours in sub-Saharan Africa. Without the Marketing Boards, poverty would have been the lot of the small tobacco growers of the former Rhodesia and Nyasaland, of the cocoa farmers of Côte d'Ivoire, Ghana and western Nigeria, and of the small-scale peasant farmers of Northern Nigeria who supplied the 'brick and mortar' used in constructing cotton and groundnut pyramids. A significant proportion of Africans who today live comfortably in mansions would have been trapped on farms or in slums somewhere were the immediate post-independence governments to be slightly less forward-looking in the management of development (including education and employment) policies.

### ***Structural Adjustment: Scope and Impact***

Still, to the extent that the public enterprises bit more than they could chew and as corruption crept into the day-to-day management of the enterprises, their credibility could not but suffer. As they ran huge budget deficits (while failing to make a significant impact on the alleviation of poverty), public enterprises became targets of attack by supply-side economists. The growing perception of public enterprises as waste pipes provided a backdrop to the retreat from central planning and the advance towards stringent austerity programmes. By the late 1970s and the early 1980s, 22 SSA countries had, at the instance of the IMF and the World Bank, begun the long and tortuous journey to 'structural adjustment'<sup>4</sup>. The main elements of this reform programme are reduction in the size of government, privatisation of public enterprises, elimination of subsidies and price controls, expenditure rationalisation, reduction of budget deficits and currency devaluation.

SAP did accomplish something—it brought the public service to the realisation that costs matter and need to be kept under constant observation. It, at the very least, moved public allocation decisions from the secure fortress of government monopoly to the competitive setting of the market<sup>5</sup>.

Of course, SAP also had a devastating (some will argue, negative) impact on public service performance. A direct and immediate effect was to increase the severity of deprivation. First, its down-sizing thrusts led to job cuts and

the retrenchment of public employees. The private sector that could have provided alternative sources of employment was itself reeling from SAP-related ailments—notably, capacity under-utilisation, production cutbacks and plant shutdowns. Second, by starving the essential public services (health, education, employment generation, law enforcement and justice administration) of resources, SAP made it difficult to maintain tolerable standards in the delivery of the services—including services targeted at relieving the suffering of the poor. Third, besides destroying the incentives and motivation structure, the cost-cutting aspects of SAP aggravated the ethics and accountability crisis confronting the African public service. It was at the height of SAP reform that the service witnessed increasing cases of moonlighting, over-invoicing, inflation of contract prices, bribery and corruption<sup>6,7</sup>. Fourth, SAP has been accused of dismantling public service institutions without leaving behind any viable alternatives<sup>8</sup>.

With all its negative features, SAP would probably have retained its influence on public policy if it had not been perceived as an external imposition. However, as a programme that was implemented at the behest of the Bretton Woods institutions (the IMF and the World Bank), it faced a major 'ownership' crisis—one that severely undermined its impact on economic growth and poverty alleviation.

### ***PRSPs: Return to Planning for 'Basic Needs'?***

The 'ownership' question has been on the table for some time. SAP, in particular, was viewed, wrongly or rightly, as an externally imposed strategy<sup>9</sup>. It was in response to the growing clamour for local control and 'ownership' of the reform process that the Bretton Woods institutions decided to integrate the short-term orientation of SAP into the medium- to long-term planning in adjusting countries. At the Annual Meetings of the World Bank Group and the IMF held in September 1999, it was agreed that emphasis should shift towards nationally-owned participatory poverty reduction strategies, and that this should form the basis of all WB and IMF concessional lending and for debt relief under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. The meetings were silent on the form a 'nationally owned participatory poverty reduction strategy' would take and the steps to take to bring it about.

Still, it was this ownership principle that influenced the design and implementation of the Comprehensive Development Framework and of subsequent PRSPs. As of January 2003, 13 countries in Africa, 4 countries in Latin America, 2 countries in Europe and Central Asia, 1 country in Asia and 1 country in the Middle East have presented 'nationally owned participatory poverty reduction strategies' to the WB/IMF Boards (<http://www.worldbank.org/poverty/strategies/overview.htm>, 30 December 2003).

PRSPs proceed on the assumption that the most effective way to attack poverty is by promoting opportunity for private investment, empowering civil society institutions to participate in political and economic governance and eliminating threats to security<sup>10</sup>. PRSPs thus rest on three pillars, i.e., macro-economic stability, good governance and civil society participation. As an extension of the 'trickle down' theory, proponents of PRSPs assign no specific role to the poor, but instead, expect the latter to wait until the benefits under three nebulously defined policy categories (i.e., macro-economic stability, good governance and 'civil society participation') begin to materialise.

PRSPs are to all intents and purposes 'development plans', albeit, with new (especially, participatory) attributes. According to the backers of PRSPs, the design and implementation of poverty reduction strategies *should* rest on five core principles, namely:

- (i) country driven—involving broad-based participation by civil society and private sector in all operational steps;
- (ii) results-oriented—focusing on outcomes that would benefit the poor;
- (iii) comprehensive—in recognising the *multidimensional* nature of poverty;
- (iv) partnership-oriented—involving coordinated participation of development partners (bilateral, multilateral and non-governmental);
- (v) based on a long-term perspective for poverty reduction.

True, PRSPs by no means represent blueprints for building a country's poverty reduction strategy. In fact, the backers go to great lengths to portray the process as one that ought to reflect "a country's individual circumstances and characteristics" (<http://www.worldbank.org/poverty/strategies/overview.htm>, 30 December 2003). Nevertheless, the core principles underlying the PRSP approach suggest that a *properly* conceived PRSP has the main attributes of a 'development plan', particularly:

- (i) *A description of the participatory process adopted* (format, frequency and location of consultations; summary of issues raised and account of roles played/to be played by various parties at the design and implementation stages);
- (ii) *Comprehensive poverty diagnostics* (profile, scale and magnitude of poverty; macro-economic, socio-cultural and institutional constraints to growth and poverty reduction);
- (iii) *Clearly presented and costed priorities for macro-economic, structural and social policies;*
- (iv) *Appropriate targets, indicators, and systems for monitoring and evaluating progress; and*

- (v) *A framework for coordinating government programmes and donor assistance.*

In view of the sophisticated and complex nature of the new planning process, and considering its demand on the data collection and analytic capacities of the strategy formulators, many countries are currently not in a position to fully complete the key steps to develop a PRSP. To prevent delays for countries seeking debt relief under the HIPC Initiative, a country is therefore allowed to submit an Interim PRSP—one that is meant to outline the country's existing poverty reduction strategy and "to provide a road-map for the development of a full PRSP..." (<http://www.worldbank.org/poverty/strategies/overview.htm>, 30 December 2003).

Currently, a PRSP or an interim strategy formulated within the preceding 12 months is a condition for:

- (i) HIPC countries to reach a decision or completion point;
- (ii) Approval of the IMF's PRGF agreements or reviews;
- (iii) IDA (World Bank) concessional lending.

### ***PRSPs and Poverty: Two Country Cases***

A critical assessment of the impact of PRSPs is likely to reveal gaps between intentions and realities. Using the experience of two countries as illustrations, we note that while PRSPs had by and large succeeded in sensitising the stakeholders to the depth and gravity of the poverty situation, they have not made substantial difference to the life and welfare of the primary target group—that is, the vast majority of poor people living in rural and frequently drifting to urban, areas. Yes, PRSPs have ploughed budget resources to the health, education, water and infrastructure sectors, but they have not succeeded in improving the conditions of farmers, the urban unemployed, unskilled migrant labourers, semi-skilled workers and informal sector operators. Above all, PRSPs have not outlined a clear and explicit strategy for equipping the poor with the skills needed to enhance his/her capacity to satisfy 'customer demand', and by so doing, create his/her own stock of wealth. The Papers make no attempt to train hawkers of unappreciated wares (e.g., wooden dolls, toilet paper, 'imported' walking sticks) to become producers of valued goods and services (affordable power generating sets, building material, household goods, tools and replacement parts, medical and pharmaceutical supplies, neighbourhood security, etc.).

Cameroon illustrates the scale and depth of poverty in sub-Saharan Africa, besides confirming the suspicion that contemporary poverty alleviation strategies are barely touching the life of the really poor and destitute. A report on the country's PRSP prepared by the Government of

Cameroon and released in April 2003, indicates that roughly 40.2 percent of the population in 2001 could be classified as income-poor (although this was an improvement over the 53 percent recorded in 1996). The incidence of income poverty varies considerably according to regions, increasing more than twofold between urban (22 percent) and rural areas (50 percent). A high proportion of farmers in Cameroon (57 percent), informal rural sector operators (54 percent) and the unemployed in urban areas (40 percent) are caught in income poverty.

The 2003 report further highlights the challenges facing Cameroon in the areas of education, health and employment. On education, it notes that a government decision to eliminate public school fees resulted in high primary school enrolment (95 percent in 2001). However, high enrolment was subsequently accompanied by low completion rates (56 percent), with only one of every two children entering primary school managing to complete sixth grade successfully. Factors accounting for the low completion rates included high repetition (25 percent) and drop-out rates. Besides, only 60 percent of primary school pupils made a successful transition to secondary education. The report adds that

These weak completion and retention rates are indicative of underlying structural problems, and they *have considerable social and economic costs that are rising with rapid population growth.*

The health situation in Cameroon has also deteriorated considerably since the early 1990s. The child mortality rate increased by 12 percentage points between 1991 and 1998 and chronic malnutrition rate for children 12 to 23 months old also rose from 23 percent to 29 percent. The rate of delivery attended by qualified practitioners (doctors or nurses) declined by 5 percent during the same period. HIV infection rate increased from 2 percent in 1991 to 11.8 percent in 2002.

Strangely, the negative trends reported in the previous paragraphs coincided (perhaps correlated) with the adoption of stringent structural adjustment and economic stabilisation policies in Cameroon.

The United Republic of Tanzania is another SSA country that has developed a strategy to combat poverty. Tanzania's case is unique in the sense that it started with socialist policies only to make a gradual transition to the market economy. Following the adoption of macro-economic reform measures, Tanzania has in recent years recorded impressive economic growth rates. However, the macro-economic gains have not been big enough to make a dent on poverty or to reduce the growing income disparities and inequality. The benefits of growth have clearly not 'trickled down'.

In specific terms, Tanzania's GDP grew by 5.6 percent in real terms in 2001, while real GDP per capita grew by 2.7 percent. The sectors that

contributed largely to this growth. include mining and quarrying (13.5 percent), construction (6.7 percent), trade, hotels and restaurants (6.7 percent), and transport and communications (6.3 percent). Agriculture grew at 5.5 percent in 2001, representing an improvement over the 3.4 percent recorded in 2000.

As a result of the impressive performance of the Tanzanian economy, the government was able to increase budget allocations to the poverty reduction strategy sectors, particularly, health, water, agriculture and rural roads. Human capabilities also showed improvements—as reflected in impressive performance in the education sector after the implementation of the Primary Education Development Programme. Primary school enrolment rose from 77.6 percent in 1990 to 100.4 percent in 2002. The macro-level gains have also made possible improvements in “housing conditions, increased possession of consumer durables, decrease in distance to markets, shops, public transport, etc.” which, according to a 2003 assessment of the country’s PRSP, were “pointers to improvements in welfare...”<sup>11</sup>.

The question is whether the improvements reported in the material conditions of a *segment* of the Tanzanian population is a fair and accurate indicator of general welfare or of success in the poverty reduction battle. The 2003 assessment of the country’s PRSP does not think so. According to the assessment,

Transforming [the] impressive macro performance into micro level benefits remains a big challenge for the government...

The assessment acknowledged that poverty alleviation went beyond pandering to the hedonistic tastes of urban dwellers, and entailed strengthening the linkages between the rural and urban economy, improving the rural infrastructure, encouraging the development of small and medium-scale enterprises, facilitating the provision of micro credits, enhancing local capacity and striving to achieve a more broad based economic growth.

In any case, notwithstanding the macro-economic achievements, the growing income disparities (particularly, between the affluent and the poor and between urban and rural areas) constitute a serious challenge to poverty alleviation in Tanzania. A Household Budget Survey undertaken between 2000 and 2001 reveals that 18.7 percent of Tanzanians live below the food poverty line and 37.7 percent live below the basic needs poverty line. Poverty is more severe in rural (87 percent) than in urban areas (13 percent). Dar-es-Salaam has the least incidence of poverty. There is also growing inequality as shown by the rise in the Gini coefficient from 0.35 in 1991/1992 to 0.36 in 2000/2001.

Urban poverty is also becoming a matter of serious concern. Notable features are in the area of low and uncertain incomes for people in the informal sector, limited formal employment opportunities for youth, especially girls, lack of access to credit for business and housing for low income groups. There is also the problem of inability to afford decent and adequate housing for people living in unplanned settlements<sup>11</sup>.

### **Contemporary Poverty Alleviation Policies: A Balance Sheet**

There is a lot to be said for a poverty reduction strategy that thrives on the participation and harnesses the energies, of the people. This is where the PRSPs have an edge over previous, state-dominated, poverty reduction strategies. The question is whether the 'consultative processes' of the PRSPs are the effective methods of accomplishing the basic empowerment objectives. In an era of rapid social change, the people that are likely to be 'consulted' are those with substantial resources and organisational capacity to make their voices heard. The vast majority of the poor clearly do not belong under this privileged category.

It is in fact an open question whether, in the current climate of multi-party competition, the consultative mechanism of PRSPs is not an anachronism. To put it in a slightly different language, what is the essential contribution of political parties if it is not to hold consultations with interest groups, solicit the latter's views on responses to contemporary, including poverty alleviation, challenges and canvass support for their conflicting agendas? PRSPs could insist on 'civil society' participation in poverty reduction efforts at a time when the state was the only visible and audible actor on the scene—that is, when debate on policy directions was either banned or tightly controlled by one-party regimes and military autocracies. With the flowering of civil society and the emergence of political parties, the time would appear to be ripe to reconsider the status of PRSPs.

It should be noted that in recent years, the private sector, if not civil society as a whole, has exerted increasing influence on public policy. The pro-market policies that have generated growth in a number of African countries did not come about without the prodding of international finance capital and the domestic private sector. However, in addition to serving the interest of the organised private sector, it is essential that public policy begin to address the concerns of the dispersed, the disorganised, but numerous groups living with poverty. The place to start is with government providing unequivocal leadership in replacing the poverty-preoccupation with the wealth-creation psyche in Africa. This further requires imbuing the poor with the sense of purpose as well as the confidence needed to create wealth and banish poverty. The elements of the new strategy are discussed in the next section.

### III. Wealth Creation as an Alternative to Poverty Alleviation: Policy, Management and Institutional Implications

As noted earlier, PRSPs assume that poverty would be alleviated if three conditions subsist, i.e., macro-economic stability, good governance and popular participation. Let us take this one at a time.

There is no doubt that private enterprise is an engine of growth and measures designed to promote private sector development (including macro-economic and fiscal measures) deserve to be supported. However, the empirical material cited in previous sections clearly indicates that it takes more than 'economic growth' to eradicate poverty or to close income gaps. The expectation that the benefits would trickle down to the poor has so far not materialised. It is therefore essential that the poor be equipped with the skills and the tools needed to free him/herself from the poverty trap. In effect, macro-economic stability safeguards the interest of investors without necessarily guaranteeing substantial improvement in the conditions of the poor<sup>12</sup>.

The second condition stipulated under PRSPs (that is, good governance) is, in the context of Africa's contemporary experience, a tautology. Whether or not poverty is alleviated, good governance will, for the foreseeable future, rank high on the various countries' reform agendas. This is not to say that governance has no bearing on wealth creation efforts. However, the governance reform measures having direct and immediate impact on these efforts (conflict and diversity management, improvement of service delivery modalities, implementation of anti-corruption measures and reconfiguration of public agencies into knowledge brokers) have not featured prominently in PRSPs.

By the same token, PRSPs are right to place emphasis on popular participation. However, the *method* that the PRSPs choose in furtherance of this (participation) objective is, in light of current political realities, outdated. It is up to the emerging political parties and the revitalised legislative assemblies—not the unrepresentative lobby groups operating under civil society umbrella—to deliberate on poverty eradication or wealth creation strategies.

The weaknesses mentioned in the preceding paragraphs are neither sufficient to disqualify PRSPs nor to advocate mass defection to a new strategy. As a matter of fact, the wealth creation strategy advocated in this paper concedes, *in varying degrees*, the need for macro-economic stability, good governance or popular participation. Where the strategy differs substantially from the previous ones (the PRSPs included) is with respect to the role of the poor, and of public administration, in waging the war on poverty. First, while previous strategies picture the poor as hopeless

victims of circumstances or, specifically, as captives of 'bad' leadership and faulty governance arrangements, the wealth creation strategy portrays him/her as one capable of helping him/herself—if public administration plays its own facilitative role. Second, and this springs from the first point, in contrast to the previous strategies' total fixation on the negative (that is, on 'poverty'), the wealth creation alternative seeks to liberate the individual from the 'victim' mindset and to imbue him/her with the confidence to reinvent him/herself. Third, while the PRSPs focus on the short- to medium term, the wealth creation strategy aims at nothing short of long-term structural transformation.

The central proposition of the chapter, therefore, is that winning the war on poverty requires replacing the existing *poverty* alleviation mindset with one that places high premium on the implantation of the value-adding attitudes and skills in economic actors. This, in any case, is a refinement of the argument advanced in a separate paper. As noted in a 2002 article<sup>13</sup>, poverty would neither be eradicated nor alleviated so long as responsibility for responding to this momentous challenge lay elsewhere rather than with the African governments and peoples. At least two reasons could be adduced in support of this position. First, insofar as it is the governments and the peoples of the continent that directly bear the brunt of poverty, it is incumbent upon them to find credible and lasting solution to the problem. Second, the falling commodity prices and declining aid flows (as noted in the second chapter) compel the African continent to take bold, but results-oriented, value-adding economic decisions.

The way forward lies in the emerging political parties (in government or opposition) collaborating with civil society organisations on the elaboration of policy agendas which not only seek to encourage wealth creation pursuits, but also thwart the dependent, the mendicant and the sponger instincts. While the content and directions of the agendas will vary from country to country, depending on prevailing realities, it is advisable that they respond to the dominant concerns in wealth creation. At the very least, the political parties need to ensure that in reworking their manifestos, they acknowledge the need for:

- (a) national leadership in wealth creation;
- (b) the entrenchment of good governance values and practices;
- (c) the protection of traditional moral values against the corroding effect of wealth creation;
- (d) the creation of an environment conducive to the round-the-clock, uninterrupted, momentum-accelerating functioning of the economy, and to the gainful allocation of time, energy and resources therein;
- (e) the transformation of the public service from an inward-looking, paper-chasing, nay-saying organ, into a citizen-engaging, innovation-brokering and growth-facilitating partner; and

- (f) the establishment or strengthening of institutions whose main task is the enhancement of the productive capacity of small- and medium-scale enterprises.

### ***National Leadership and the 'Ownership' Question***

The first condition (national leadership) will subsist as soon as the policy planning departments of the political parties accept the responsibility for undertaking the necessary research and analytic work prior to articulating their positions on wealth creation. That condition will remain unfulfilled if the leadership class, for fear of losing control over the people, chooses either not to have a position on wealth creation or to be content with recycling old ideas on 'poverty alleviation'.

### ***Nurturing Asset Building Governance Practices***

The second component of the wealth creation strategy (entrenchment of good governance values) is a challenging and long-term goal. Still, insofar as governance failure impacts negatively on economic performance, it will do no harm for the ruling and the opposition parties to begin to acknowledge the link between wealth creation and the prevailing governance conditions.

Among the governance trends and practices that reflect on economic performance are the level and depth of commitment to (a) democratic and free elections, (b) the rule of law and the independence of the judiciary, (c) civic and fundamental human rights, (d) the professionalism, ethical uprightness and 'customer-orientation' of the career public service, (e) private sector participation in the development process, and (f) decentralisation and civic empowerment. When translated into action, these indicators of good governance provide an enabling environment for material pursuits and for the accumulation of welfare gains.

### ***Providing Legal and Institutional Safeguards Against Predatory Tendencies***

However, unless properly channelled, wealth creation efforts may produce results other than those originally intended. Particularly in societies making the transition from tradition to modernity, there is a risk of wealth pursuits triggering a crisis of faith. It is possible that in such societies, a few individuals would confuse any act that guarantees instant gain (including robbery, arson, fraud, embezzlement, drug trafficking and other forms of primitive accumulation) with legitimate asset building pursuits. Yet, the

short-term and localised nature of the gains accruing from such illegal acts cannot sustain wealth creation endeavour in the long run. For one thing, the illegal confiscation of the rewards of bona fide effort means the transfer of asset from the productive sector to a cost-blind, extravagant, consumption group. Second, as the relationship between effort and rewards become inverted, a growing number of producers will either cease production or worse still, join the ranks of spongers and predators (see Chapter Two).

It is also possible that as individuals seek to improve their lot, they are likely to acquire certain character traits that are alien to the communal settings in which they were brought up<sup>14</sup>. Rather than see themselves as part of a community, these individuals will lean towards inwardly 'rational' calculations, and end up with egotism, callousness, greed, arrogance, ill-temper, selfishness, intolerance, xenophobia, unilateral repudiation of contractual agreements, deceptiveness and profiteering.

The policy agendas of the political parties should reckon with this possibility—that the rule of the game would change as the traditional influences recede and the wealth creation instinct takes over. The agendas should further address the issue of how traditional and modern institutions (the family, community groups, religious organisations, the law, public accountability and enforcement agencies, and the schools) might play a more active role in stemming the decay of moral values, and reinstating the values of decency, compassion, communal solidarity, honesty and respect for human life, among others.

### ***Energising and Fully Engaging the Productive Forces***

Having started with the (governance, legal and moral) foundation, the political parties will need to clarify their positions regarding the measures to institute in support of the substantive objective of wealth creation. One of these measures is the application of fiscal, monetary and sundry policy instruments to bring about a fully functioning economy and ensure its constant, clockwork operation. As used in this paper, such an economy allows no slackness of any kind. It is an economy in which *time, energies and resources are prudently allocated and duly accounted for*. In such an economy, the prized attributes are thrift, customer-satisfaction, creativity, entrepreneurship, innovativeness, indomitable will to conquer challenges and unceasing search for perfection. In this 24-hour economy, idle hands will look for gainful occupations, while spongers, drain pipes and passengers will be under pressure to reinvent themselves to meet the demands of a new age. In a fully energised economy, energies will be channelled away from supply-oriented pursuits (such as street hawking, unsolicited 'maintenance' of well-tarred roads) to the production of goods and services that are in demand.

A constantly functioning economy will not come about without the visible and helping hand of government. It is fair to ask whether a 'visible and helping hand' is not a euphemism for 'big government'. Nothing could be farther from the truth. The advocacy of a proactive approach to wealth creation should in no way be interpreted as a deft attempt at bringing big government through the back door. The role of government will be defined not by the number of offices that it establishes, but by the range of opportunities that the government provides for 'customer demand' to be met and for jobs to be created within the 24-hour economy. The government's role is certainly indispensable to the success of efforts at maintaining law and order, enforcing the law and contractual obligations, and taking firm measures to protect genuine asset builders against the whims and caprices of predators. Since the success of economic pursuits depends on the state of the infrastructure, government needs to earmark resources for the development of transport and communication facilities.

The government's role nonetheless goes beyond the maintenance of law and order and the development of the infrastructure. It extends to the provision of the forward and backward linkages that the economy needs to grow and prosper. An illustration of government's potential role in activating a fully functioning economy was provided by no less a personality than President Yoweri Kaguta Museveni. Addressing a gathering on the occasion of the 18th Anniversary of the NRM/NRA victory on 26 January 2004, the Uganda head of state noted that a number of jobs that might have been created locally were 'exported' due to failure to move from one job/wealth creation level to another; that is, from the primary, raw material production, to the secondary, processing and manufacturing stages<sup>15</sup>. He cited the cotton industry as an example. Cotton-producing African states were liable to stop at the first or third job-creation levels, that is, planting, harvesting and ginning, leaving, for lack of 'know-how', other processes (like oil extraction, animal feeds production, cotton finishing, spinning, textile production and garment manufacturing) to be 'exported'.

As an institution with a panoramic view of the workings of the economy, and bearing in mind its overseas connections, government is very well placed to enact policies that will promote the necessary linkages among diverse, and otherwise, stand-alone, operations. Specifically, it could initiate actions that would link the small producers with one another, and with medium- and large-scale enterprises. It could also provide advisory and information services which would enable the economic actors to capitalise on domestic and external opportunities and, in the process, expand their operations.

The smallscale, informal sector (which employs between 75 and 90 percent of the work force in Africa) in any case, deserves government assistance. As of now, there is no indication that any government

department or agency knows about, much less, has solutions to, the problems facing the roadside mechanics, weavers, hides and skins tanners, tailors, carpenters, bricklayers, blacksmiths and the large number of women eking out a precarious existence on farms and in rural areas generally. Yet, keeping the economy working full-steam may require no more than finding simple solutions to the small producers' problems – like, advising the roadside mechanic on work layout and the application of time-and-motion techniques, or placing at the disposal of rural women advances in harvesting and storage technology.

It is not as if the average African (whether a roadside mechanic, a practitioner of herbal medicine or a woman ceramic maker) is totally barren of productivity-oriented ideas and knowledge. Any one who has been to an automobile repair workshop in Africa, for instance, will be struck by the ingenuity and creativity of persons sometimes dismissed as hopeless. Without technical or financial assistance from any quarter, these individuals—among them school drop-outs—have cannibalised vehicles and reassembled them into new shapes, fabricated tools, equipment and replacement parts and practically put life back in otherwise dead machines. If they need anything, it is a formal acknowledgement (and protection) of their intellectual property. Unfortunately, if copyrights and patents offices exist, their locations and mandates remain unknown to the vast majority of their potential beneficiaries.

### ***Repositioning and Reorienting the Civil Service Bureaucracy***

The 24-hour economy's operation is in any case highly dependent on the role and attitude of the civil service bureaucracy. Besides providing policy advice and preparing instruments for the effective implementation of policies and programmes, the civil service needs to dismantle internal bureaucratic obstacles to innovation and creativity. More than at any other time, it has to channel the energies of civil society and private sector entities towards productive ventures and promote technology innovation to assist the growth of small- and medium-scale producers.

A clear example of how a proactive civil service could support wealth creation pursuits is provided by the Singapore Trade Development Board. Established in 1983, the Board's primary role is to assist Singaporean enterprises to penetrate overseas markets. In 1996, its International Business Opportunities unit linked the country's trade databases to the Internet. The outbreak of SARS in 2003 put the Board's creativity to the test. Rather than succumb to defeat, the Board advised businessmen and women who were virtually grounded by the epidemic to continue their operations through the Board's overseas centres, and using facilities provided by

programme. It is accordingly recommended that government agencies collaborate with productive forces (such as producers' cooperatives, trade guilds and professional associations) on the components of programmes likely to enhance the opportunity discovering, demand satisfying and value-adding competencies across the economic spectrum. The management development institutions and trade schools also have a major role to play in the wealth creation endeavour. How effective they will be, however, depends on their willingness to undertake a critical review of their curricula and ensure that wealth creation becomes a central theme in their training, research and consulting activities.

## **V. Role of National, Regional and Global Capacity Building Institutions**

National, regional and international institutions have a major role to play in facilitating the transition from poverty alleviation to wealth creation. National institutions (particularly, the management development institutes, staff colleges and institutes of administration) should, as stated earlier, review their curricula with a view to incorporating wealth creation modules. They should also work closely with government and private sector institutions on the design and implementation of the relevant human and institutional capacity building programmes.

The national institutions' proximity to their partners is an advantage. However, this becomes a disadvantage when the partners lean towards specific, and therefore, conflicting, political ideologies. This is why it may not be such a good idea for the MDIs to deal directly with political—whether government or opposition—parties. In contrast, regional bodies (such as AAPAM, CAFRAD, the African Capacity Building Foundation and DPMF) are, due to their distance from the scene of action, likely to be perceived as impartial. Since these regional institutions do not face the same constraints as their national counterparts, they are in a good position to organise capacity building programmes for political parties. More or less the same condition applies to international organisations such as the United Nations Department of Economic and Social Affairs, The World Bank and the United Nations Development Programme.

## **VI. Conclusion**

The central proposition of this paper is that poverty alleviation has, as a strategy, run its course. It has not delivered on its trickle-down promise and its short- to medium-term orientation has evaded the underlying issue of structural transformation. The time is therefore ripe to try something more aggressive, yet positive; that is, wealth creation. This strategy will,

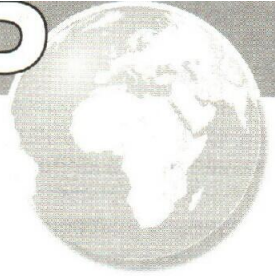
however, succeed only with total and explicit commitment by government and public service leaders to the cause of the poor. Rather than rely on surrogate (e.g., macro-economic) measures to bring relief to the poor, the government needs to come up with plans that directly target specific categories of the poor. At the minimum, a fraction of the resources currently expended on safeguarding the interest of the big investors need to be shifted to programmes aimed at rectifying the sub-optimal allocation and/or misdirection of energy in the informal sector. As part of this job guidance/advisory service, and, bearing in mind the need to raise output and quality standards across the economic spectrum, due consideration should be given to the pairing of professionally qualified individuals (e.g. engineering graduates) with practitioners of various trades (plumbers, roadside mechanics and electrical wiring contractors). The success of these and other related measures hinge largely on the transformation of the public service from an inward-looking, paper chasing bureaucracy to a citizen-engaging, technology brokering and wealth creating agent.

National institutions can facilitate the transition from poverty alleviation to wealth creation by incorporating the new strategy in their research, training and consulting programmes. The void created by the national institutions' inability or reluctance to work with political parties should be filled by regional and international institutions.

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## **Public Service Reform as a Cornerstone of Tanzania's Wealth Creation and Poverty Eradication Strategy**

*Joseph Rugumyamheto*

### **I. Introduction**

Africa's poverty was for a long time viewed in material terms. Thus, from the dawn of independence, governments were preoccupied with programmes for generating high rates of economic growth and ensuring that the benefits trickled down to the poor. This trickle-down logic underpinned the central planning efforts of the early post-independence period and the subsequent neo-liberal, macro-economic stability components of structural adjustment reforms.

Since the late 1990s/early 2000 a number of countries, which were beneficiaries of the HIPIC-related debt relief programme, adopted poverty reduction strategies which often involved the selection of priority sectors and allocation of resources to them with expectation that the incidence of poverty would reduce. Invariably these interventions have not produced positive results. It is now believed that tackling poverty requires inducing growth and ensuring that the governance environment is conducive to wealth creation efforts.

One critical element of good governance is an efficient and effective public service—one capable of providing policy advice and preparing instruments for effective implementation of policies and programmes. However, the African public service is not yet fully equipped to respond to the challenge of economic growth and development. At the very least, it needs to dismantle internal bureaucratic obstacles to innovation and creativity. More than at any one time it needs to harness and support the energies of non-state actors (particularly, the private sector and civil society) towards productive ventures. It should also take proactive measures to spearhead and support technological innovation and promote the growth of large-, medium- and smallscale enterprises.

This chapter examines Tanzania's efforts at transforming its public service and the challenges facing the country in repositioning the public service for the challenges of wealth creation and poverty eradication. The chapter is divided into six sections. After the introduction it provides the socio-economic context and setting in which the reform has been designed and implemented. It follows with an overview of Tanzania's public service reform in the past few years. The chapter then proceeds to discuss the issues and challenges facing the reform process. In the concluding section, we look into the future.

## **II. Tanzania's Socio-Economic Features Before and After Reform**

In the 1980s and the early 1990s, Tanzania was, in the eyes of the world, just another African basket case. The country's economic situation was pathetic, in both absolute and comparative terms. Per capita income was low (approximately US\$ 180), economic growth was virtually stagnant, large budget deficits were the norm, inflation was high (at over 30 percent), and macro and fiscal instability were the order of the day. The supply of goods and services was tight, erratic and beyond the reach of the majority of the people.

At the same time, political competition was limited, as only one political party, Chama Cha Mapinduzi (CCM), was active. Today, the situation has changed for the better. Since mid-1990s, when a new Government came to power after winning a hotly contested election, the economy began to grow rapidly (at an annual rate of 5 percent). Per capita income has nearly doubled, budget deficits have been brought under control and the rate of inflation has fallen to about 5 percent. The economy is now market-driven and the private sector is thriving. A pluralist political order has taken root with 16 registered political parties fielding candidates at presidential and parliamentary elections. Civil society, though still nascent and evolving, is active and dynamic.

In the 1980s and the early 1990s, the public service was in a similar pathetic situation. It was bloated in terms of the number of institutions and employees. There were no reliable systems and guidelines. (Those in place were outmoded.) Indiscipline in its many facets was a common feature. Numerous 'ghost' workers were on the government payroll and the wage bill (as well as the aggregate public expenditure) was out of control. The cause of accountability was not served by the ministries' inability to produce reliable accounts on a timely basis.

By 2005, the Tanzania Public Service had turned the corner. It currently has fully functioning 'state-of-the-art' systems, including information communication technology (ICT) systems for payroll and human resources

management and for integrated public finance management. Giant steps are also being taken to improve the delivery of services to the people.

The following provides illustrations of the achievements to date:

- (i) On the macro-economic front the country has moved from negative GDP growth in the mid-1990s to an average of over 6 percent in 2005;
- (ii) Inflation rates fell from over 30 percent in the same mid-1990s to the current 4.3 percent;
- (iii) Foreign domestic investment jumped from US\$ 100 million to US\$ 450 million over the same period;
- (iv) On the fiscal front government revenues increased from Tshs 448 billion to Tshs 1,400 billion between 1995 to 2004;
- (v) Government spending was brought under control and budget deficits narrowed;
- (vi) On service delivery there have been dramatic improvements as exemplified by expansion in primary education enrollment from 60 percent to 95 percent between 2001 and 2005, with increase in pass rates from 40 to 60 percent;
- (vii) Business licensing (as well as passport issuance) which used to take months now takes a maximum of five days.

The above-mentioned achievements notwithstanding, the country is still a long way from becoming a 'developmental' state. The Government, in recognition of that situation has adopted Vision 2025, which foresees Tanzania becoming a middle-income economy by the year 2025 and outlines a strategy for attaining the objectives, including the objective of reducing poverty.

It is increasingly acknowledged that unless the capacity of the public service is steadily enhanced, the overall objectives of Vision 2025 will not be realised. A major challenge therefore is for Tanzania to institute the necessary reform measures to create a developmental public service—one that is endowed with the capacities to perform effectively the regulatory, administrative, technical and growth-facilitating functions.

### **III. Major Milestones of Tanzania's Public Service Reform Efforts**

Deliberate action to reform the civil/public service in Tanzania since independence can be grouped into four phases. The first is the period shortly after independence (1962 to 1970), the second is the 'decentralisation' phase (1972 to 1984), the third is the structural adjustment/civil service reform phase (1987 to 1999). The last phase began in 2000 and coincides with the current public service reform programme. For purposes of this discussion, however, we will focus briefly on phases one, three and four.

## ***The Post-Independence Phase (1962–1970)***

Soon after independence the Government adopted reform measures that were intended to respond to three situations. First, there was the immediate need to create a machinery to handle new responsibilities occasioned by the country's independent statehood. Examples of responsibilities are relations with other sovereign states (handled by a new body, the Ministry of Foreign Affairs), maintenance of Tanzania's territorial integrity (a task assigned to the Ministry or Department of Defence).

Second, given the fact that the colonial government had been concerned only with law and order and the development of the economic infrastructure (only insofar as the latter supported its extractive function), a sovereign government had to spearhead development in the economic and social spheres to respond to the expectations of the country's population. This entailed not only establishing new organisational structures at the centre, it also involved setting up structures at provincial (or regional), district, division and ward levels, besides opening numerous service delivery points at all levels.

Third, the early post-independence efforts involved building from scratch a cadre of public service personnel to carry out new and expanded functions. In this regard the country was starting from a zero base in terms of numbers and quality of skilled personnel such as teachers, doctors, engineers, veterinarians, agronomists, accountants as well as administrators. Training institutions (including a university), had to be created in the 1960s and 1970s to meet the human resource capacity needs.

The three interventions did create a semblance of a functioning public service. However, the rapid and vast expansion of the public service (in terms of institutions and personnel), soon triggered other problems. The expansion was justified in terms of the need to meet the high expectations of Tanzanians for progress and advancement, and of the prevailing philosophy that government was an engine of socio-economic and political transformation. Yet, the faster the public service grew, the more severe the strain put on the country's meagre economic and administrative resources. Indeed, unbridled public service growth contributed to the crisis which came to the surface in the early 1980s.

## ***The Civil Service Reform Era: 1987–1999***

In response to the crisis facing the public service, the Government began in the early 1990s to adopt cost-containment measures as part of the structural adjustment reforms. These measures were intended to control inflation, reduce budget deficits and get a handle on the burgeoning wage bill.

There is no conclusive evidence that the structural adjustment-related public service reforms had positive or negative effects on the overall development of the country. In any case, by the early 1990s, government realised that there was a need to adopt a purposeful strategy to reform the public service, and in July 1991 it launched the Civil Service Reform Programme (CSRP). The first two years were devoted to the preparation of diagnostic studies, which would then inform the design of the reform programme itself. This is a significant departure from the past. Whereas structural adjustment reforms proceeded hastily with cost-cutting and down-sizing measures, the home-grown reform strategy embarked upon in 1991 began with empirical analysis of the Tanzanian public service.

In 1993, Government started implementing the CSRP, which focused on re-defining the role of the state in Tanzania and rightsizing of Government to control public expenditure, especially the wage bill. Major structural and institutional changes had been effectively implemented by the end of the CSRP phase. These changes may be grouped under the following headings:

- *Contracted and streamlined government structures.* This involved the re-definition of government roles and functions by identifying non-core functions for elimination. It also entailed streamlining the structure resulting in reduction of ministries, departments and units by 25 percent;
- *Significant reduction in the number of public service employees* (from 355,000 in 1992 to 264,000 by end of 1998);
- *Containment of public service growth* (by monitoring new hiring and wage bill expenditure, using a fully integrated Human Resources Management and Payroll System);
- *Introduction of consolidated and performance-related remuneration packages.* Under the new dispensation, salary levels in the public service were increased in real terms and the pay structure was made more transparent and efficient through the factoring of allowances into basic salaries;
- *Restructuring and decentralisation for improved service delivery.* This involved four dimensions including the launching of the decentralisation programme, the creation of executive agencies, contracting out non-core activities (such as security, cleaning etc.) to private sector providers as well as measures to re-engineer service delivery by adopting the 'quick-wins' scheme;

- *Capacity building.* At the commencement of the CSRP, Government capacity had been seriously eroded. Efforts to build capacity included injection of needed expertise, through contract recruitment of personnel with critical skills at enhanced pay levels and implementation of 'crash' training programmes in critical skill areas for Government personnel. Both of these measures led to enhanced capacity in Government, which made it possible to develop and implement the reform measures;
- *Improvement of policy and legislative environment (to sustain the reforms).* This involved adoption of several policies and legislative measures including:
  - Policy and legislation to establish legislative agencies
  - Public service management and employment policy aiming at the restoration of meritocratic principles in public personnel management
  - Medium term pay policy, with two hallmarks (i) defining medium term targets for enhancing salaries of priority professional cadres and (ii) emphasis on rapid enhancement of pay for personnel with managerial, professional and technical skills, and responsibilities to increase prospects for Government to compete in recruitment and retention of such personnel.

### ***The Public Service Reform Phase (2000 and Beyond)***

The achievements of the CSRP included helping the Government to redefine its mandate and functions, matching the new role to delivery capacity, and enhancing the participation of the private sector and nongovernmental organisations (NGOs) in the delivery of services. Nonetheless, by 1998, there was recognition that the strategy and scope of the CSRP reforms would not transform the public service into a development-oriented institution. This was mainly because of the CSRP's narrow focus. It was too focused on cost containment, which was understandable given the budgetary constraints. The reform programme excluded other elements that were otherwise indispensable to the success of efforts at repositioning the public service for the challenges of economic growth and long-term development.

It was also apparent that the level of political support for the reform programme was low. This was because the politicians were not particularly keen on pursuing measures which would not yield immediate political dividends or produce tangible results during—rather than long after—their tenure. By its nature, public service reform is a long-term process

rather than an event. The more ambitious (and complex) the process, the longer it takes for the seeds to germinate and bear fruits. It is the process' long 'gestation' period that makes public service reform a less appealing option to politicians.

Second, the reform measures (cost reductions, cost sharing and retrenchment) were inflicting a lot of pain on the population and therefore creating political risks at a time when the country was moving from one-party dominance to political pluralism.

Also the CSRP reform content and process was directed by a small team based at the Civil Service Department and was seen to be driven and owned by donors. As such ministries, departments and agencies as well as the general public felt alienated from the process. In other words, the presumed beneficiaries had no commitment to, or a sense of ownership of, the reform process. This was exacerbated by insufficient information on the reforms either within government or between the government and members of the public.

Most importantly, the reform of the civil service was not linked to efforts at generating momentum and change in the entire government machinery and to other parallel public sector reform efforts. In response to the inadequacies in the CSRP, the Government came out with a new programme, the Public Sector Reform Programme or PSRP, in 2000. It is a broader, wider and more comprehensive programme and is aimed at the total transformation of the public service into an efficient, effective and outcome- and results-oriented institution.

The PSRP has the following features:

- (i) A strong focus on service delivery improvements;
- (ii) Assumption by ministries and departments of primary responsibility for the implementation of the reform measures;
- (iii) Conferment of greater autonomy on departments and agencies (particularly, by being de-linked from the civil service bureaucracy);
- (iv) Acknowledgement of the unique nature of services delivered and the delivery mechanisms adopted by various ministries and departments;
- (v) Adoption of a holistic approach to public sector reform (with the linkage of public service reform with other parallel initiatives);
- (vi) Improvement of public service incentives system (within the limits imposed by available budgetary resources).

PSRP takes a long-term perspective. It is anchored on the belief that the transformation of the public service would require years of sustained reform to fully realise the programme's development objectives. It looks beyond structural and process changes in the operation of the public

service organisations and proceeds on the assumption that a change in the cultural and behavioural re-orientation of public servants and the average citizen was indispensable to the successful transformation of the public service.

In particular, the reform programme acknowledged the need for public servants to develop a new mind-set—one that placed high premium on 'customer' service and satisfaction, efficiency, effectiveness, and above all, integrity and transparency. The public will need to demand due rights and services from public servants. In pursuance of this ambitious goal—the goal of transforming the public service and making it 'customer-oriented'—the PSRP is to be implemented in three but overlapping phases, namely:

Phase 1: Establishment of performance management systems (2000–2005)

Phase 2: Inculcation of a performance management culture (2005–2008)

Phase 3: Introduction of quality improvement cycles (2008–2010).

The first Phase of the PSRP was launched in 2000 and was made up of the following components:

- (i) Performance management systems
- (ii) Restructuring and private sector participation
- (iii) Establishment of executive agencies
- (iv) Establishment of management information systems
- (v) Leadership, management and governance (agency governance)
- (vi) Programme coordination, monitoring and evaluation.

The internal and external monitoring and evaluation reviews carried out (two years into the implementation of the first phase of the PSRP) revealed the need to improve the strategy. In July 2003, a Revised PSRP Strategy and Action Plan 2003/2004 to 2005/2006 was adopted. While the revised PSRP retains the main features of the original programme it places greater emphasis on:

- (i) strengthening the linkage between public service reform efforts to create wealth and eradicate poverty;
- (ii) promoting synergy between the PSRP and other public sector reforms and ensuring proper coordination of reform efforts;
- (iii) placing increasing emphasis on monitoring and evaluation of implementation progress and constraints;
- (iv) encouraging development partners to coordinate their actions better in supporting PSRP.

Internal reviews carried out a year after the reformulation of the PSRP indicate that the set objectives were being met. However, the achievement

of target outputs was less than anticipated. The question is whether the new reformulated strategy and action plan have the potential to reconfiguring the Tanzania public service into a development-oriented entity. If the measures fall short, what are the missing links which need to be addressed within the short-, medium- and long-term?

#### **IV. Issues and Challenges Facing Public Service Reform Efforts**

As noted in the introduction, the Government of Tanzania has instructed several radical measures to restructure the economy, society and the policy process. Within this context and as noted above, good progress is being made in reforming the public service. Already the Government has taken steps to address the regulatory capacity of the public service by formulating and implementing a Legal Sector Reform Programme (LSRP). The Public Service Reform Programme (PSRP) which we have alluded to above and the Local Government Reform Programme (LGRP) focus on the administrative capacity of the public service. Various sector reform programmes (agriculture, education, health etc.) deal with the technical capacity of the public service reform process. Lastly, the Public Financial Management Reform Programme (PFMRP) is concerned with, among other things, strengthening the revenue collection and financial management capacity of the public service. However, reforming institutions of governance is a complex and delicate process—one that is confronted with challenges. Below we identify and discuss a number of these challenges.

##### ***Coherence***

The first issue concerns the extent to which the macro and the sector reforms are coherent, reinforcing and focused on achieving, the objective of making the public service an efficient and effective development instrument within the context of overall reforms in the country.

The various public sector reforms were initiated at different times and in response to specific problems confronting various sectors. As a result they operate as discrete initiatives and are not linked and joined-up. This may lead the disparate initiatives to focus on trees rather than on the forest. Consequently, they are as effective as expected in terms of achieving overall improvements in public service delivery and the reduction of poverty. While it may be difficult developing a comprehensive and integrated reform programme (one integrating with crosscutting sector reforms), there is still need for greater coherence and linkages among the reforms. At the very least, there is need for a reform programme linked to Vision 2025 and the reduction of poverty.

In particular it is important to recognise that an effective public service is a critical component of any strategy. Good governance and development are prerequisites to achieving the objectives of poverty reduction and ultimately a developmental state. This fact does not seem to be well internalised both at the political and senior administrative levels. This is in part due to the fact that improvements in efficiency and effectiveness of the public service take time to be realised and even more time to translate into effective delivery of public services. This has tended to result in a reluctance to give priority and provide resources to measures aimed at reforming the public service. This is evidenced by the non-inclusion of public sector reform as a priority in the country's Poverty Reduction Strategy Paper (PRSP). It is gratifying to note that following a review of the Poverty Reduction Strategy, a new strategy, the National Strategy for Growth and Reduction of Poverty (NSGRP) fully acknowledges the linkage between economic growth and poverty reduction, on the one hand, and good governance, on the other. Therefore the focus on public sector reform is to be accorded priority in the allocation of budgetary resources. As part of this process, it will be important to:

- (i) clarify relationships and dependencies between/among the four overarching reforms—the PSRP, the PFMRP, the LGRP and the LSRP—so that the reforms can dovetail into one another, to the extent possible. In this connection the aspects of the public service reform programme and the local government reform programmes which focus on introduction of strategic planning need to be linked and harmonised with the budget reform initiatives in the public financial management reform (Medium Term Expenditure Framework [MTEF] and Public Expenditure Review [PER],
- (ii) ensure the desired coherence and linkages in central mechanisms for monitoring and leading the reforms.

### ***Creating Public Demand for Accountability, Reform and Change***

While ostensibly the reforms are being undertaken to respond to public pressure for improved services the extent to which the reform programmes have in-built mechanisms for citizen and civil society participation is limited. As provided for in the PSRP, ministries, departments and agencies (MDAs) are required to publicly, and through public service charters, commit themselves to minimum standards of performance and service delivery. The usefulness of the charters is validated by independent service delivery surveys, which are sponsored by the reform programme, and the results of the surveys are to be widely disseminated.

The next step is to ensure that the various agencies' commitments to their

clients are effected in the public domain; that is, disseminated by the mass media and supported with civic education programmes. The challenge is to make these mechanisms work. In that connection, in the design of the next phase of PSRP it may be useful to provide for the identification of NGOs and community-based organisations (CBOs) to assume advocacy roles for clients/citizens in specific service delivery areas. Also ICT, which the Government has now recognised as an important tool in improving public service performance, should be tapped to enable citizens to obtain information and react to government actions in a timely and appropriate manner.

Also we can gauge whether the reforms are achieving the objectives of improving service delivery, poverty reduction and becoming a developmental state, by applying monitoring and evaluation (M&E) methodologies. Already, and as part of the PSRP, a M&E system has been developed and installed in the President's Office (Public Service Management Department) and is at various stages of installation in MDAs.

Until recently the M&E system in the public sector monitored mostly financial transactions as a prelude to the imposition of budgetary and financial controls. With the focus on service delivery performance and the impact of government action on poverty reduction there is a need to interpret performance more widely and to broaden the scope of performance monitoring to include non-financial and output elements.

Indications are that the new system has the required robustness, but for it to be an effective instrument which can be used by central agencies and MDAs to monitor performance in a broad sense there is a need for government to determine what information it wants, how information will be collected, what computer software it will use and what forms of accountability will be put into place to ensure data integrity and completeness. Creating this process is a necessary first step in promoting M&E within the Government.

Unfortunately, even if we establish perfect and rational systems and processes, there are no guarantees that M&E will really take hold without the development of a culture of accountability among public servants and the provision of incentives to monitor performance. Incentives need to be both external and internal. Internally, supervisors need to hold their subordinates accountable. Performance management works only if there is information and only if under-performance is visited with real and serious repercussions. Externally, there is need to establish requirements for government institutions to provide accurate and reliable information on performance to the public and to watchdog institutions.

The success of performance monitoring efforts hinges on the effective operation of an ICT infrastructure. The recent decision by the Government

to adopt an e-government policy should accordingly be followed up by a well-articulated implementation strategy which would then go a long way to supporting the creation of demand for information and accountability from both the Government and the public at large. It would also assist the MDAs in providing feedback and information on their performance.

While the charters and service delivery surveys as well as the M&E system are intended to support the demand for accountability at institutional level, the installation of the Open Performance Appraisal System (OPRAS) which is embedded in the Public Service Act, 2002, is intended to hold individual public servants accountable under Vision 2025. Basically OPRAS is an instrument for assessing the performance of staff by their supervisors. It is different from the closed Performance Appraisal System.

With the installation of OPRAS in MDAs, the challenge is to empower both management and staff to use it effectively to support improved performance. The Public Service Act, 2002, requires each MDA to report annually on general performance of their staff to the Public Service Commission with a view to taking appropriate corrective action. There is need to enhance the capacity and competence of the Public Service Commission itself to enable it to perform its monitoring and supervisory role.

### ***Building an Incentive Framework***

Another issue which needs to be addressed if the public service is to become a reliable development agent is the pay and incentive system. For some time the public service pay and incentive system has contributed to the poor performance. This is not to overlook the fact that Tanzania is confronted with serious budgetary constraints and faces difficulties introducing a system capable of motivating managers and their staff to perform at consistently high levels. Pay reform, in some form or another is a critical element of such a system. Pay reform is crucial to building human resources capacity by enabling the public service to recruit, motivate and retain skilled and experienced personnel.

In the CSRP phase of the reform programme, much attention was given to addressing the structural weaknesses of grading and salary structure, and to measures aimed at compressing the pay scales (or reducing the number of grades and salary steps). The CSRP also rationalised and/or abolished some of the allowances and benefits that were causing distortions in overall remuneration, choosing instead to incorporate the allowances in enhanced salary scales and as part of a consolidated pay policy.

Under the second phase of PSRP, two additional steps were taken. First, a medium-term pay policy containing pay targets was adopted—with the aim of making the remuneration of technical and professional

civil servants competitive with that of the private sector. The longer-term pay policy objective is to achieve a 'living-wage' for all civil servants. This demonstrates the Government's commitment to its employees and creates the context for future debates on remuneration issues.

Second, in recognition of the need for motivation and retention of some critical managerial and professional posts, especially those with reform implementation responsibilities, an additional incentive scheme has been introduced. In the past, there was a range of donor-funded (and donor decided) allowances paid to particular categories of civil servants to augment their otherwise meagre entitlements. The implementation of the scheme was characterised by inconsistency and lack of transparency. Government subsequently introduced another scheme to rationalise the situation and replace what were called 'local cost compensation' schemes (based on the pay levels set out in the medium-term pay policy) with what is called Selective Accelerated Salary Enhancement (SASE). The new scheme enables the Government to top-up the salaries of individuals based on the priority to their function. The scheme was to run over a five-year period by which time it is expected that domestic resources would increase substantially to meet the projected pay levels for all public servants. Donor funding has been applied to this end so far, but Government could decide to use its own funds if and when possible. One of the key attractions of the pay augmentation policy is that it has a built-in exit strategy.

The top-up is equal to the difference between the current pay and the medium-term targets. The top-ups range from 50 to 100 percent of basic salary in year one, but as government gets closer to those six-year targets, the top-ups reduce until they eventually reach zero. Since the award of SASE is discretionary, Government could decide to make its retention conditional.

The new open performance appraisal system checks whether objectives are being achieved and targets met, on the clear understanding that poor performance will result in the withdrawal of the individual from a position which benefits from the SASE dispensation.

The performance of individuals receiving SASE, and, in consequence, the achievements of their organisations have improved. The Ministry of Finance has noted in particular the much-improved quality of planning and budget submissions from the ministries that have installed Performance Management Systems and whose key staff benefitted from the SASE scheme.

The challenge associated with pay reform is political. There is a finite resource envelope from which Government must pay all public services. Besides, the decision on the proportion of funds that should be allocated to the public sector wage bill is a very hot political issue, more so, when attention shifts to disparities in income distribution and the growing inequality.

was designed and is managed by a Tanzanian public service team, with some technical assistance from consultants, both local and international.

It was realised from the beginning that passing the responsibility for reform design and implementation to ministries and departments would impose additional burdens on personnel with inadequate capacities and competencies. There would be need to put considerable effort to developing the management competencies and skills of the staff and motivating them. The team leading the reform need the capacity to deal with a range of pressures including recognition and understanding of those resisting change, entrenched negative value systems and the inter-power plays within and among MDAs.

At the time that the responsibility for change management was entrusted to an enclave secretariat, its staff was motivated by the payment of high, contract-based salaries. While this enabled the secretariat to attract some of the best people, the expertise built during implementation was frequently lost to Government as soon as the contract was executed and the project was closed. The latter-day effort at mainstreaming the reform process in the work of MDAs provided the opportunity to build real capacity in the civil service, and to rely on career civil servants who were committed to the programme on a long-term basis. The challenge is how to enhance the capacity of the regular staff in formulating implementable activities that are linked to service delivery outcomes and in driving the change management process.

### ***Case for External Support***

Since the structural adjustment reform era in the late 1980s to the CSRP era in the 1990s and the more recent PSRP era, the reform effort has received considerable assistance from multilateral and bilateral development partners. Given the high levels of external support, the question which is often raised is, is the Reform Agenda owned by Tanzania? If not, how can we be sure that we are not directed away from the country's objectives? The ideal situation would be for the country to depend on its own resources for development. But it is not doing that in regard to so many other aspects of the development agenda. The issue, therefore, is what are the development cooperation modalities that will minimise the risk of the reforms being driven by the development partners? This is important because real progress can only be attained if the leadership of the aid recipient countries set and owns the agenda, ensures that trust is built and encourages flexible approaches.

Support from development partners for PSRP was previously made available in a project mode, which made it difficult to plan implementation of reforms in an integrated manner. Over the past few years the Government

has, in consultation with donors agreed on their moving to a sector-wide approach, by pooling of funds, which should enhance integrated planning of reforms and better resource utilisation. In that regard several months ago a number of the partners have signed a Memorandum of Understanding with the Government undertaking to provide their support to the PSRP using this mode. It is significant to note that the World Bank is also taking steps to join the mechanism.

This is an innovation and an achievement but its sustainability will depend on the extent to which the Government will have the capacity, resources and willpower to report implementation progress including the utilisation of funds in a transparent and effective manner. The challenge is to ensure that the trust, which has been generated, will be sustained.

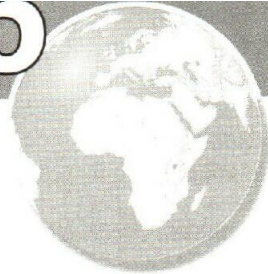
## VI. Conclusion

A lot of resources have gone into financing a variety of reforms in Tanzania over the past 20 years. A significant proportion of these resources has gone into funding the reform of the public service. A question which is now being asked is how the reforms are contributing to improvement in service delivery, growth and poverty reduction. An equally relevant question is why 'reform' should be treated as a priority in the allocation of resources both by the government and development partners. Since many of the reform measures do not have a direct impact on growth and reducing poverty or even improving service delivery it is difficult to answer these questions clearly. Still, there is no doubt that an efficient and effective public service is a necessary condition for achieving improvements in service delivery, and, by so doing, assisting wealth creation and poverty eradication efforts. The experience of Tanzania demonstrates that where the objectives of public service reforms are clearly articulated and linked to national development objectives, the reforms are likely, over a period of time, to have positive and measurable impact on wealth creation endeavours. In the specific case of Tanzania, the main challenge is to sustain the gains that have accrued from reforms dating back to the 1990s. This requires deepening and broadening the reforms such that they are embraced by all members of society, particularly those that are trapped in poverty.

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## **Examining Government Engagement with Non-State Providers of Public Services— Evidence from Nigeria\***

*George A. Larbi*

### **I. Introduction**

Alternative service provision, especially different forms of private sector participation, has been a key policy issue for most governments in Africa in recent years. This has also been given prominence by the Commission for Africa Report<sup>1</sup>. This is in recognition of the potential contribution to investment, skills and employment, and service delivery that the private sector and non-profit organisations could make to an economy. Smallscale and informal providers account for a significant proportion of employment and service provision in some sectors in most poor countries, yet very often they do not get the recognition and support they deserve. The policy environment in which they operate can sometimes be disabling rather than enabling, while the relationship between the state and these non-state providers (NSPs) sometimes tends to be antagonistic.

This chapter reports on a study of smallscale, non-state providers of public services in Nigeria, which was part of a six-country study commissioned by the UK Government's Department for International Development (DFID)<sup>2</sup>. The study examines selected cases of government engagement with NSPs in three service sub-sectors: primary education, primary healthcare, urban drinking water supply and sanitation. These services were selected because they are significant in improving well-being and access to them is vital for human development and the realisation of the millennium development goals (MDGs).

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\*The materials presented in this Chapter are based on the Non-State Providers (NSP) country report on Nigeria prepared by Larbi (team leader/governance), Adelabu and Rose (education), Nwaorgu and Vyas (health) and Jawara (water and sanitation).

The study examined four broad forms of government engagement with NSPs:

- (i) Policy dialogue between government and NSPs in deciding and reviewing policy, legislation, standards and roles;
- (ii) Regulation of NSPs, including oversight and monitoring;
- (iii) Government commissioning of service delivery by NSPs through contracts, partnerships, licensing and other arrangements; and
- (iv) Facilitation of NSPs through provision of information, capacity building and advice, access to finance and other forms of support.

The specific questions, addressed in this chapter are: What is the policy environment in which NSPs operate and to what extent is this supportive? What is the role of NSPs in service delivery? How and to what extent do governments facilitate and engage with non-state providers of services?

Following the above questions, the chapter first explains the methodology used in the research and then goes on to examine the policy context of government relationships with NSPs, setting out the background and the current policy environment. This is followed by a discussion of government intervention and engagement with NSPs. The issue of facilitating/enabling of NSPs by government is discussed and this leads to a number conclusions in the last section.

## **II. Methodology**

The research on which this discussion is based employed qualitative methods, including case studies, interviews with smallscale formal and informal providers of services, key informant interviews with government officials in two states (Enugu and Lagos) and the Federal Capital Territory (FCT), Abuja. Interviews were supplemented by documentary analysis, including various reports and secondary sources. The case studies (see Table 6.1) were selected to reflect formal and informal smallscale providers of services. Two reference case studies were also used—the Small Towns Water Supply Sanitation Programme (STWSSP) and the Karu-Maraba concession (Nasarawa State)—to illustrate examples of government contracting out of service delivery to the private sector. Together, the selected case studies illustrate both formal and informal, and for-profit and not-for-profit NSPs. It has to be added that the case studies are not representative of Nigeria; the findings and conclusions may not be generalised as there are differences across states, e.g. between north and south.

**Table 6.1: The Non-State Providers (NSP) Cases Selected**

Function examined	NSP organisation	Type of organisation	Relationship with government
<b>Education</b>			
Regulating unapproved schools	Association of Formidable Educational Development	Private, profit-oriented groups; unapproved/unregistered schools; semi-formal	Antagonistic: schools live under constant threats of closure, and struggle with state governments over enforcement of the law and standards
Regulation: Supervision/inspections of private schools	Association of Private Proprietors of Schools	Approved, private and profit-oriented schools; formal	Open to and ready for supervision and inspection by state governments
<b>Water and sanitation</b>			
Registering and working with water tankers (Enugu State Water Corporation)	Individual water tanker drivers, with a strong association	Private for profit-oriented informal and small	Regulation through registration/and provision of approved water sources for water tanker drivers
Licensing water vendors (Lagos State)	Private water vendors	Small, informal, private profit-oriented oriented	Licensing water vendors; technical support from Lagos State Water Corporation for connections to public network
Community ownership and contracting out	Small towns Water Supply and Sanitation programme	Formal, community water associations (CWAs)	Federal and state government share cost of construction with CWAs. Ownership transferred to CWAs who then contract out operations and maintenance
Commissioning service delivery: Concession	Karu-Maraba Concession run by Riveroaks Utilities Ltd	Private, profit-oriented, formal	Concession contract with state government; government owns 15% shares in company
<b>Health</b>			
Regulation of over-the-counter medicine	Patent Medicine Dealers' Association	Informal and small, private profit-oriented provider	Indirect regulation/ licensing through a professional body
Coordination/facilitation of health service delivery	Christian Health Association of Nigeria (CHAN)	Umbrella faith-based, non-profit organisation	Representation of interests of members to, and policy dialogue with, government
Facilitating and commissioning service delivery	Traditional birth attendants (TBAs)	Informal, private, profit-oriented	Government commissions child immunisation through TBAs

### III. Findings

#### ***What is the Policy Environment in which NSPs Operate?***

##### *General Context*

With a population estimated at 136.5 million in 2003<sup>3</sup>, Nigeria is Africa's most populous nation. Like most countries in sub-Saharan Africa, Nigeria has a relatively low human development index; it was ranked 148 out of 173 countries<sup>4</sup>. Life expectancy at birth is 51.7%; adult literacy rate is 63.9% with a combined primary, secondary and tertiary gross enrollment ratio of 45%. GDP per capita is US\$ 896 (at purchasing power parity)<sup>4,5</sup>. In the year 2000, 43% of the population were not using improved water sources<sup>4</sup>, though for urban dwellers about 81% had access to improved water supply in 2000<sup>6</sup>. In addition 70.2% of the population were below the income poverty line of US\$ 1 per day<sup>4</sup>, though some other sources estimate this at 40–60 percent<sup>7</sup>. The infant mortality rate is about 110 per 1000 (year 2000).

The poor generally face severe problems in access to public services, with women facing particular problems of lack of opportunities and having limited coping strategies. Persistent under-funding, especially for social services like education and health, has undermined attempts to improve service delivery and living standards<sup>8</sup>. A major explanation for this lies in Nigeria's political economy—characterised by the excessive dependence on oil as source of revenue and the neglect of other productive sectors such as agriculture. This is compounded with past mismanagement of resources and corruption, which have denied investments in social infrastructure necessary to expand and improve on public services.

Taken together, these background and contextual factors provide the economic, social and political imperatives for governments and NSPs to work together to improve the quality of life and make progress towards alleviating poverty.

There is no doubt that Nigeria has vibrant entrepreneurial energy, which can be harnessed to improve both the infrastructure and the delivery of public services, given the right environment and support by government. The country also has a wide range of informal and smallscale operators and civil society organisations, many of which are active in service delivery to the poor. Some of these emerged in response to repressive military regimes<sup>9</sup>. The 1980s and 1990s saw the proliferation of both formal and informal NSPs in service delivery. This is explained partly by state failure in service delivery and partly by the difficult governance context in response to which some multilateral development agencies and donors channelled assistance through non-governmental sources. In general, the

infrastructure to enable and support private-led growth has been poor, though reforms under the current government are attempting to address these weaknesses.

The return to democratic governance in 1999 was widely seen as providing opportunities to positively re-engage with civil society organisations and the private sector. However, lack of significant reforms in 1999–2003 meant that expectations of improvements in service delivery have largely not been met. Privatisation is key plank of the current government's reform programme<sup>3</sup> and this should potentially provide opportunities for greater synergy between government and the private sector to attract investment into the social and productive sectors.

The constitutional powers and resources granted to states and local governments also give those with commitment the opportunity to bring service delivery to communities by engaging with the private and voluntary sectors. A few positive cases of reform have emerged to improve management and service delivery, as well as involving the private sector (e.g. Bauchi, Lagos and Cross River State). The Lagos State government has introduced a private sector participation initiative in water supply services with a target of increasing delivery of water to Greater Lagos by 160 percent by 2020, under a lease or concession contract. Also a Small Towns Water Supply and Sanitation Programme is being piloted in six states based on the concept of community ownership and management, and if successful, will substantially increase the role of non-state providers in water supply. Another clear example of a deliberate government policy of engagement with the private sector is the Karu-Maraba Concession in Nasarawa State, discussed later in this paper.

With regard to the specific sectors in question, the policy environment seems to differ across sector and type of NSPs.

### *Education Context*

A recent Education Sector Review by Federal Ministry of Education<sup>10</sup> suggests that education policies of successive Nigerian governments have changed according to prevailing political and economic conditions. In the pre-independence period governments supported voluntary agency (mainly mission) schools through grants and sought to control them through inspections and setting of standards. For-profit private schools were largely post-independence phenomena. The oil boom years of the 1970s saw the public take-over of grant-aided schools in some states, the launching of a national scheme for universal primary education (UPE) in 1976, followed by the publication of a comprehensive National Policy on Education in 1977.

The 1998 National Policy of Education makes primary education free and universal but encourages private sector participation. Among other things, the policy states that:

Government welcomes the contributions of voluntary agencies, communities and private individuals in the establishment and management of private schools alongside those provided by the state and local governments, as long as they meet the minimum standards laid down by the Federal Government.

Thus there is a policy intention to support private sector participation in education; however, putting this into practice is proving more challenging.

### *Health Context*

The immediate post-independence period in the 1960s and the oil boom in the 1970s brought with them an expansion of government investment in social sectors, including health. However, economic crisis and structural adjustment in the 1980s, and the long years of corrupt military rule into the 1990s contributed to the serious deterioration in infrastructure and the quality and quantity of basic services. In the health sector, this decay was characterised by the lack of equipment and drugs in hospitals, demoralised staff, breakdown of supervision, rent seeking behaviour by providers, and consequent loss of trust in state provision and delivery<sup>11</sup>. The poor quality of service delivery in the public health sector and the introduction of user charges meant that most poor people turned to alternative service providers in the formal and informal private sector.

The current goal of the National Health Policy is to create a comprehensive health care system, based on primary health care to every citizen within available resources. Government policy is to involve the private sector in the formulation of health policy and delivery of health care. Following the Abuja declaration of 1995, the National Health Policy of 1998 was to be reviewed and modified to include adequate provision for private sector participation in health policy development<sup>12,13</sup>.

### *Water Context*

In the case of the water sector, it has been the policy intention of the federal and some state governments to attract international private sector participation since the mid-1990s. The National Water Supply and Sanitation Policy outlines a reform agenda that includes private sector participation. However, as Jawara<sup>14</sup> has noted, implementing the policy will require "major attitudinal shifts... on the part of organisations at all levels", as

well as an enabling legal environment. The Urban Water Sector Reform Project, which is supported by the World Bank, includes the identification of private operators to manage water supply in up to six urban centres. The project was in the preparatory stages at the time of this study and there were plans for the appointment of private sector providers.

Engagement with informal NSPs (e.g. water vendors and tanker drivers) is difficult. They have often emerged because of the failure of the public service delivery systems, forcing governments to engage with them by registration and licensing and providing some support. Governments largely see them as a 'necessary evil' that has to be tolerated.

### ***What is the Role of NSPs in Service Delivery?***

Non-state providers have been an important part of service delivery in Africa in pre- and post-independence periods, especially in the health and education sectors<sup>15</sup>. Nigeria is no exception. Faith-based organisations (FBOs), in particular, have historically been prominent in providing basic health and education to poor and rural communities, along with a significant proportion of private for-profit providers in cities and big towns.

In the case of health, FBOs in Nigeria provide about 60% of health care, especially in remote and rural communities. For example, through its 400 member institutions, the Christian Health Association of Nigeria (CHAN) operates throughout Nigeria and provides about 40% of health care in Nigeria, especially in rural areas. It is the oldest and largest provider of both secondary and primary healthcare services outside government. In Enugu, the study found that traditional birth attendants are commissioned by the government to deliver child immunisation services, since most poor people use their services. In both Lagos and Enugu, private and patent medicine dealers were found to be important links in the drug distribution chain, selling approved, over-the-counter medicine to consumers. Their role is crucial for poor consumers who cannot afford to buy drugs in packets from pharmacies, though their unit prices are not necessarily cheaper than those of pharmacies.

In drinking water supply, NSPs also fill an important gap where the public networks do not reach a large proportion of growing urban populations. In both Lagos and Enugu, the state water corporations face a number of challenges. Rapid growth of the capitals has contributed to low coverage of the distribution network and inadequate supply. Consequently large areas of the two cities are not served through the public networks. In the case of Enugu, the State Water Corporation (ESWC) is able to serve only about 50 to 60 percent of the population. This has given rise to water tankers. There are over 200 water tanker trucks serving the rest of the city

and its environs from five dedicated water-filling points developed and financed by the ESWC.

The Nasarawa Concession and the Small Town Water Supply and Sanitation Programme (STWSSP) have also extended the provision of potable drinking water and sanitation services to areas that were hitherto not served by public networks. Nigeria's small towns have undergone rapid population growth over recent years as a natural focus for the development of small businesses and transit points for goods and services needed in the rural areas. It is estimated that some 35–40 million people (30–35% of Nigeria's population) live in 200–300 small towns<sup>14</sup>. Historically, water and sanitation programmes in Nigeria were planned for 'urban' or 'rural' areas, and small towns were usually neglected. STWSSP seeks to promote and implement a water supply and sanitation delivery programme for small towns in all 36 states and the Federal Capital Territory (FCT). It has initiated two pilot programmes in six states. The first, (nearing completion and supported by the World Bank) is piloting the approach in 16 small towns in Ebonyi, Katsina and Niger states. The second, recently started and supported by the European Union, is working in 24 towns in Adamawa, Delta and Ekiti states<sup>12,14</sup>.

In the case of the Nasarawa Concession, the State Government awarded a concession to supply water in the Karu-Maraba area close to Abuja, the capital city, to an indigenous private company in 1999. The area is one of several unplanned townships outside the FCT and comprises mostly low-grade informal housing with inadequate infrastructure. Many of the families that provide the workforce for the capital city, unable to afford accommodation in Abuja, live in this and other similar townships. The concession serves some 15,000 people in an area previously not served by the public network. The majority of the residents in the concession area are now served through public standpipes<sup>14</sup>.

In *Education*, NSPs, particularly mission and community schools, have been prominent in the delivery of basic and secondary education since the 1950s. Despite the nationalisation policies of the 1970s, a combination of factors ensured their continued prominence. These include the poor quality of some public schools, the inability of public schools to cope with demand following UPE in 1976, the economic crisis of the 1980s, the resistance of voluntary private schools to nationalisation and the inability of government to enforce the law. These factors and the changing governance context since the 1990s have led to the proliferation of private schools. A study in the education sector suggests that up to 20 percent of primary schools in some states are private, though this figure is much higher in states such as Lagos, where there are more private than public schools<sup>12,16</sup>. This figure could even be much higher if one adds unregistered or unapproved schools, but the problem varies across states. In the case of

Lagos unregistered/unapproved schools are estimated to cater for about one million children in mainly poor communities.

In terms of quality, standards and performance, three levels of NSPs may be identified in basic education. The first are the elite private and voluntary schools, which usually compete with the best state schools. These are expensive and difficult to get into and have tended to benefit children from privileged and rich backgrounds. The second category are schools in the middle range which may be affordable to a large number of working class families, but often too expensive for children from poor backgrounds.

The third category is the poor quality, often unregistered schools. This third category of schools is usually located in poor urban communities. They provide access to a large number of children from poor backgrounds who are either unable to gain access to 'free' public schools or cannot afford to pay for a good private school. In the cases examined by this study, most of the schools under Association of Formidable Education for Development will fall in this category. The fact is that state governments cannot afford to provide free and universal basic education to all children. NSPs therefore fill an important gap in the provision of basic education.

In all the cases examined it is clear that NSPs provide additional investments, resources and access to basic services, especially for poor communities. Both formal and informal private sector providers take considerable investment risks, often with individual or family capital. Access to credit, especially for small and informal providers is difficult.

### ***How Do Governments Facilitate or Enable NSPs?***

In the past government attitude towards NSPs, especially small and informal ones, has been one of indifference at best, and sometimes hostile. In recent years both the Federal and State governments have recognised the importance of non-state providers in service delivery. One of the key challenges for increasing NSP participation in service delivery is that the state must provide not only an enabling environment, but also a regulatory environment that does not paralyse the providers. This section reviews examples of government facilitation of NSPs across the three sectors.

#### ***Education***

In education, the current policy is to encourage the non-state sector to participate in education provision. However, this remains at the level of rhetoric rather than real practical support and the creation of an enabling environment in the two states visited. In the cases examined we found that the standards set by governments for the registration of private schools are

so rigid and difficult that even some state schools would fail to meet the criteria, if applied to them.

Federal and state governments provided grants and subsidies and other forms of support to some NSPs in the education sector in the pre- and post-independence periods. These included capital grants and payment of teachers' salaries. The nationalisation of schools in some states in the 1970s and the economic crisis of the 1980s meant that financial support either stopped or became unreliable. In the case studies examined in Enugu and Lagos, government support to private schools has largely taken the form of organising workshops on various issues in education and providing textbooks. There was no evidence of support in the form of grants or payment of teachers' salaries or capital grants.

### *Health*

Government support to NSPs in the health sector has been quite limited in the two states. The health sector study showed that support to Private Medicine Dealers (PMDs) has been mainly in the form of orientation and training organised by the National Agency for Food and Drug Administration and Control (NAFDAC) and other state institutions. Support to CHAN comes mainly from external sources. Government subsidy to the organisation stopped in the 1990s, while at the time of this study exemptions from tariffs on imported drugs for CHAN members were in suspension due to bureaucratic bottlenecks. Consequently, CHAN members do not enjoy any concessions and this affects their ability to supply affordable drugs, especially in poor rural areas.

In Enugu, the state government, working with NGOs, has been involved in providing capacity development support to TBAs to enable them to provide immunisation services to children. This is principally because of the need to improve child immunisation. The government provides all the equipment required to the TBAs.

### *Water*

In the case of the water sector in Lagos and Enugu, the role of government in relation to NSPs has taken the form of facilitation and regulation. As noted earlier, in Enugu, the ESWC has financed the development of five water-filling points from where it sells water to tanker trucks that in turn sell to households not served by the public network. This service arrangement provides improved access to the poor communities. However, the service is not necessarily pro-poor, as tankers do not lend themselves to delivery of water in small quantities suitable to poor households.

In Lagos, the State Water Corporation permits the connection of licensed private water vendors to its network (for a fixed fee) to sell and distribute

water to communities outside the public network. The vendors typically operate in poor communities. However, these connections tend to put a lot of pressure on a public network that is already overstretched and thus lowers the quality of service to networked areas.

The Small Town Water Supply Sanitation Programme (STWSSP) and the Karu-Maraba concession in Nasarawa State are examples of deliberate government policy of engagement with NSPs. In the case of the former, the central and state governments provide 60 and 30 percent of construction cost respectively, and Water Consumer Associations (WCA) pay 10%. On completion the facility is handed over to the WCAs to own and manage. Under the programme WCAs are expected to engage private sector providers to undertake operation and maintenance of the water supply on their behalf. At the time of this study, this arrangement was operational in six states as part of a pilot, with the intention of extending it to the rest of the country. Under the STWSSP, there are programme-coordinating units to support communities in various aspects of programme development, including the establishment and training of WCAs.

Despite their contributions to service delivery, government officials tend not to see small, especially informal providers as part of a long-term solution to the problems of service delivery. This attitude was particularly noticeable in the water sector in Lagos and Enugu, where water vendors and water tankers were seen as temporary arrangements until the public networks are extended to cover areas not currently served. There seems to be a preference for the formal private sector. Alternatively, government officials prefer that investment and support should rather be channelled to the public sector to help expand and improve public service provision with the hope that it would drive out informal operators.

It is apparent that government support to small and informal providers of services can be improved. One way of achieving this is by engaging with NSPs in policy dialogue. In the three sectors examined, NSPs tend to have dialogue with government through their professional or umbrella associations. For example in the health sector, we identified two main umbrella organisations that have dialogue with government. These include the National Association of Private and Patent Medicine Dealers (NAPPMD), which represent the voice of their members on issues such as policy and legislation, regulatory and support systems. The Christian Health Association of Nigeria (CHAN) is a major umbrella organisation in the health sector. Similar umbrella organisations exist in the education sector (e.g. the Association of Private Proprietors of Schools—APPS). APPS does participate in discussions on the Education for All (EFA) policy process. The overall impression is that dialogue between government and NSPs tends to be ad hoc rather than institutionalised to enable sustainable synergy to develop between the two sides.

## **Regulating NSPs**

Across all three sectors, private activity to compensate for service delivery failures is largely unregulated, not guided by overarching policy plans, and often a matter of crisis management by firms and households trying to cope with undeveloped public services<sup>7</sup>. Federal and state governments seem to be relatively good at regulating entry (through registration and licensing), but they are ineffective in regulating and monitoring the quality and standards of operations. This is especially difficult in the case of small, informal providers. What follows is a review of regulation in the three sectors.

The regulation of patent medicine dealers (PMDs) is a good example of government intervention to regulate NSPs (see Box 6.1). This is a new initiative started in April 2003. It involves the attempt by Federal Government to regulate over-the-counter drug distribution through an independent professional body—the Pharmaceutical Council of Nigeria (PCN). Prior to this, the Federal Ministry of Health through each of the State Ministries of Health performed the role. The rationale for regulation includes quality assurance (e.g. control of fake drugs) and limits on types of drugs that can be sold over the counter by PMDs.

In drinking water supply, regulation takes the form of registration and licensing of vendors and authorised connections (Lagos) and registration of tanker trucks and ensuring that they use only authorised water sources (Enugu).

While government capacity to regulate NSPs is generally weak, this is worst in the case of small and informal service providers like PMDs and water vendors. In all three sectors, it is apparent that the state is unable to enforce any form of price regulation and quality control is weak. Unregistered and illegal operators are common problems in the water sector in Lagos, making control and collection of fees difficult.

Some provider associations (e.g. the Tanker Drivers' Association, CHAN and PMDs) claim to perform some self-regulatory functions by providing guidance to and enforcing discipline among their members (e.g. by issuing warnings, fines, suspensions or even expulsions). The effectiveness of this form of self-regulation was difficult to verify.

Regulation of the education sector deserves some further mention. It is the responsibility of government to set and monitor standards in education in both the state and non-state sectors. The Federal Ministry of Education has established guidelines on 'Minimum Standards in Schools Nationwide'. These guidelines provide a basis for each state to publish and enforce its own guidelines. It is the responsibility of the Inspectorate Division of the Ministry of Education in each state to ensure compliance to these standards. In principle, the responsibilities for the supervision and

inspection of schools are shared among the three tiers of government but in practice there is lack of clarity and coordination of roles and activities. Lagos State has a department responsible for private schools while Enugu State plans to establish a State Private Education Board. However, the capacity to undertake regular inspections and monitoring is often overstretched in both states. Consequently, inspections are not carried out as regularly as they should be.

The case studies in the education sector illustrate the weak capacity of government to enforce standards and regulation, especially where small and informal NSPs are involved. They also show difficult relationships between government and NSPs. The regulation (monitoring and inspection) of approved schools is less problematic than unapproved schools since the former have known addresses or locations. It is interesting to note that in both Lagos and Enugu APPS members have lobbied the government to close down unapproved schools, on the grounds that they offer sub-standard education. But in reality, this is due to rivalry and competition between the two groups.

#### **Box 6.1: Innovation in regulating private medicine vendors<sup>12,17</sup>**

Regulating the sale of medicine or drugs directly to the public is a major responsibility of government. Like most developing countries, Nigeria has a large network of private medicine dealers, who sell medicine over the counter to clients, especially to poor people. Regulating these operators has been a major challenge to the Federal Government. Weak capacity, failed regulatory arrangements and poor enforcement have allowed the supply of fake and poor quality drugs on the market, and selling of prohibited drugs by medicine vendors and unlicensed dealers. In April 2003, the Federal government delegated the regulation of private medicine dealers to the Pharmaceutical Council of Nigeria (PCN), an independent professional body. A separate body, NAFDAC, is responsible for drug and product registration and regulation, imports, exports and control of fake products.

While the Federal Ministry of Health formulates the relevant policies and provides directives, it is a responsibility of the PCN to ensure compliance to those directives. The guidelines cover the issuance of vendors' licences and list of approved patent medicines.

However, the PCN, on its own, does not have the capacity to cover all the 36 states. It therefore operates through committees (Patent and Proprietary Medicines Vendors Licensing committee) set up in each state. Funding for PCN's regulatory functions comes from registration fees. The registration and licensing processes include sitting and passing a short test and interview designed to test literacy and basic knowledge of the guidelines. NAFDAC and the PCN jointly monitor drug quality in PMDs through on-the-spot checks in stores.

Anecdotal evidence from Lagos State suggests that the registration and licensing of PMDs have been successful to some extent. However, the PCN is seen by the PMDs as representing the interests of pharmacies, which are in competition with PMDs.

Overall, the intervention is innovative but its effectiveness is too early to judge.

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## **Review of Productivity Trends in Ghana's Formal and Informal Sectors**

*Helen Allotey*

### **I. Introduction**

Ghana is a developing country with an estimated population of about 21 million people in 2003 and a per capita income of about \$364. The land area covers approximately 238,537 sq km<sup>1</sup>. The country is rich in natural resources, among these, good arable land, forests, fishing and mineral deposits. It ranks among the world's major producers of cocoa and is reputed to produce the best quality of cocoa beans. Traditionally, the economy is agrarian with the agricultural sector accounting for more than 30 percent of the GDP and offering employment to over 70 percent of the active labour force. The country depends on agricultural production and minerals for the bulk of its export earnings.

After witnessing a steep and precipitate decline in economic fortunes in the post-independence period, and particularly in the 1980s, the country has, from the late 1990s, made significant progress in eliminating barriers to growth and increasing productivity. Compared to other countries in the region, per capita income has increased. This phenomenon is largely attributed to the shift from an inward-looking economic system to an open and competitive, market-based strategy embarked upon since the launching of Economic Recovery Programme in April 1983.

The sustainability of the macroeconomic achievements is still far from guaranteed<sup>2</sup>. However, it is safe to conclude that with the re-introduction of multi party democracy in 1992, the economy started picking up steadily, with salutary effects on growth and poverty reduction, and within a free and democratic environment.

In July 2004, the country became the 14th in the world to complete the HIPC process and also took one of the shortest times from 'decision point' to 'completion point' (about 30 months)<sup>3</sup>. The risks to the productivity of the Ghanaian economy are similar to those contributing to productivity

losses in any small and open economy. These risks include worsening terms of trade, shocks from oil price hikes and deteriorating world commodity prices. The last risk (declining commodity prices) is significant due to the fact that Ghana is still dependent on the export of primary products and has little or no petroleum deposits. On the domestic front, exogenous factors such as drought also affected the economy, triggering productivity losses.

This chapter focuses on productivity trends in Ghana. In section two, the chapter examines the nature and significance of productivity, and the role of the formal as well as the informal sectors in contributing to national productivity. Section three reviews the productivity trends in the formal and informal sectors. Section four highlights the role of the state in providing the enabling environment for productivity enhancement. The chapter then goes on to examine the financing options and strategies for accelerating productivity.

## II. Productivity: Nature, Significance and Enabling Factors

*Productivity* in its broadest sense is a measure of how efficient and effective resources are used as inputs to produce value adding products and services (outputs) needed for the creation of wealth. For many years productivity has been a key issue in national development strategies. It is critical to efforts at generating income and eradicating poverty. It is a key measure of enterprise competitiveness. It is an integral part of any long-term strategy that governments, private employers and their employees apply to channel factor inputs towards assets or wealth creation, as well as towards employment generation, poverty alleviation and improved living standards.

It has become more and more evident that productivity improvement is the result of not only the decisions taken within each enterprise, but also of macro-economic and fiscal policies in place, and the prevailing global economic environment.

Productivity improvement creates the wealth that can be ploughed back to meet immediate needs and invest in projects with long-term pay-off. The increase in wealth and in income brought about by productivity improvement enables the society to invest in areas such as environmental protection, development and/or maintenance of the infrastructure, and protection of life and property.

The *formal sector* has an important role to play in boosting productivity. The sector is made up of public and private entities that have recognisable structures, operate in accordance with fairly well defined rules, and keep records of transactions (as in bureaucracies). Conceptually we will expect the Government to be formal, to be based on 'the rule of law', and to operate

along fairly predictable and transparent lines. In contrast, the private sector is made up of both formal and informal business enterprises, depending on their capital base, size and mode of operation.

Ghana's *informal sector* is large, as in many other African countries. However, transactions within the sector tend to go largely undocumented. This poses special problems to observers of the sector, and to those seeking information on its 'productivity'. The shadowy nature of informal sector operations sometimes gives the sector a bad image, and leads the sector to be associated with 'under-ground', 'black-market' or crooked deals.

The informal sector operators usually own and run smallscale enterprises, and their savings mobilisation capacities and credit standing are often not sustainable over the long term. Yet, these smallscale operators form an important link between the formal and informal financial sectors.

The informal sector as in most countries in Africa covers a wide range of labour market activities. These include individuals and households involved in modest economic activities such as street vending, touting at motor parks, and delivery of errands—activities that generate very little, if any, reliable income. Also falling under the informal category are the smallscale farms, the family-run trading operations, the enterprises dominated by energetic market women (and increasingly, men), petty contracting operations, as well as the value-adding services provided by skilled and non-skilled workers such as motor mechanics, metal fabricators, electricians, carpenters and furniture makers.

### III. Review of Productivity Trends in the Formal and Informal Sectors

Productivity in the formal and informal sectors has been on the increase in recent times. As noted in the introductory section, the Ghanaian economy is mainly agrarian and accounts for about 70 percent of the total active labour force. Table 7.1 below shows that agricultural productivity grew from a period average of 3.2 percent between 1992 and 2001 to 6.1 percent as at end of 2003.

**Table 7.1: GDP Growth Rates for Ghana (Percentage)**

	1980-1983	1984-1991	1992-2001	2002	2003	2004 Proj.
GDP growth	-4.9	5.4	4.4	4.5	5.2	5.2
Agriculture	-4.9	3.0	3.2	4.1	6.1	6.0
Industry	-11.9	8.3	4.3	4.7	5.1	5.2
Service	0.6	7.4	6.2	4.7	4.9	4.7

Source: Quarterly Digest of Statistics<sup>4</sup>, Ghana, (various years), and author's own computation (period averages).

The industrial sector (comprising mining and quarrying, manufacturing, construction, electricity and water) has also returned to the growth path, although this growth is lower than what obtained in the past. The new upward trend is largely due to the exposure of local industry to competition and the improved macro-economic environment<sup>5</sup>.

In contrast to the rebound of the industrial sector, the services sector (transport, storage, communication, wholesale and retail trade, restaurants and hotel, finance, insurance, real estate and business services, government services, community, social and personal services, private but non-profit services) is experiencing a relatively low rate of growth. The relatively improved performance in the service sector in the 1980s and 1990s was due to the strategic position of Ghana in West Africa, the expansion of transit trade, the liberalisation of the cocoa sector, and the positive effects of the improvements in rail, road and port infrastructure. The attentive given to units leading the growth and poverty reduction efforts, in particular, led to a relatively fast growth in agriculture and in agro-industrial production<sup>5</sup>.

#### **IV. Role of the State in Providing an Enabling Environment for Productivity**

The groups that create wealth in Ghana can be classified into two: those playing an indirect and facilitative role, and those that make direct contributions to the process. The indirect agents of wealth creation include the Government, the financial institutions and civil society organisations. Among the direct wealth creators are business entrepreneurs, industrialists, farmers and smallscale manufacturers or producers. The succeeding paragraphs examine the role of government in spearheading and backstopping wealth creation efforts.

Ever since the launching of the Economic Recovery Programme in 1983, Ghana's development strategy has taken poverty reduction as the underlying objective. In recent years, the strategy has paid increasing attention to wealth creation, and particularly, to measures aimed at assisting economic agents whose contributions are likely to impact positively on poverty reduction. The role of the state in creating wealth can be assessed from two dimensions: the indirect role of creating the enabling environment for wealth creation and the direct wealth creation interventions.

The indirect role of the State in the wealth creation process falls under the following headings:

##### ***Macro-Economic Stability***

The macro-economic indicators (presented in Table 7.2 below) reveal that inflation rates stood at about 40 percent at the turn of the new century,

while exchange rate depreciation of the cedi (the cedi) reached almost 50 percent in the same period. Since 2000, the Government has pursued appropriate fiscal and monetary policies that, among other things, narrowed the fiscal deficit, reduced the inflation rate (to 12.4 percent as at the end of 2004), reduced high interest rates, and stabilised the exchange rate (bringing down the annual depreciation of the cedi to the US dollar to 2.5 percent<sup>6</sup>).

The interventions made by the government to increase asset building and domestic resource mobilisation include:

- (i) Retention by the revenue agencies of not more than 3% of tax revenue collections to fund their programmes and projects. Table 7.3 shows that tax revenue as a percentage of GDP has been on the increase over the years;
- (ii) Rationalisation of charges and fees to bring them in line with the current economic realities;
- (iii) Setting up of a Non-Tax Revenue (NTR) Unit within the Ministry of Finance and Economic Planning to promote domestic resource mobilisation;
- (iv) Establishment of a Revenue Agencies Governing Board to coordinate the activities of the revenue agencies;
- (v) Appointment of a Games Commissioner to regulate the business of lottery and betting;
- (vi) Monitoring the collection and payment of Non-Tax Revenue into the Consolidated Fund, and strengthening mechanisms for the Fund's accountability;

**Table 7.2: Leading Economic Indicators**

	2000	2001	2002	2003	2004
Inflation	40.5%	21.3%	15.2%	23.6%	12.4%
91 Day Treasury Bill Rate	38.0%	28.9%	26.3%	18.67%	17.08%
Lending Rate	47.5%	44.0%	38.5%	34.15%	30.0%
Depreciation of the cedi against the US dollar	49.5%	3.59%	13.3%	4.7%	2.2%

Source: Compiled from Ghana Statistical Service Newsletter and Bank of Ghana<sup>7,8</sup>

**Table 7.3: Tax Revenue as Percentage of GDP (2000–2004)**

	2000	2001	2002	2003	2004
Tax revenue as % age of GDP	16.3	17.2	17.5	20.5	21.0

Source: IMF Bulletin (various years)<sup>9</sup>.

- (vii) Introduction of the Ghana Community Network Services (GCNet) to replace the Automated System for Customs Data (ASYCUDA) system as a way of supporting the transfer of data with custom agents to allow modern computerised customs clearance administration. This change has simplified the process for clearing goods at the port and also has increased revenue substantially;
- (viii) The establishment of a Multi Donor Budgetary Support (MDBS) between Government and Development Partners in 2002 as a general budget support. Under this arrangement development partners disburse funds directly into the consolidated fund for the implementation of the government's priority programmes. This simplifies disbursement procedures, improves the predictability of the resource envelope and improves timing of disbursements.

On the external resource mobilisation side, the Ministry of Finance successfully negotiated the following agreements with key development partners:

- (i) The first Poverty Reduction Support Facility (PRSF) with the World Bank (amounting to US\$ 128.0 million);
- (ii) A new 3-year (2003–2005) Poverty Reduction and Growth Facility with the IMF (US\$ 285.0 million); and
- (iii) The groundbreaking Multi-Donor Budget Support Framework with a donor group consisting of bilateral and multilateral Partners (US\$ 280.0 million)<sup>10</sup>.

### ***Efficient Management of Financial Resources***

The Government has improved its public financial management by replacing the incremental budgeting framework with the Medium Term Expenditure Framework in 1999. Among the measures instituted to improve the system of public financial management are:

- (i) The establishment of Quarterly Expenditure Ceilings and Commitment Control Systems to monitor and regulate the expenditure patterns in Ministries, Departments and Agencies (MDAs) and to prevent the accumulation of arrears during the execution of the Budget.
- (ii) Introduction of an Allocation Control Register (ACR) to facilitate the estimation of balances on the allocations for service and investment items in the MDAs approved budgets. The ACRs ensure strict adherence to the Quarterly Expenditure Ceilings (QECs) introduced in 2001 for the implementation of the budget.

These measures have yielded some results and have, at the very least, ensured that expenditures stay within targets. Ministries, Departments and Agencies (MDAs) are developing a better appreciation for the need to establish priorities and to keep their commitments within their resource limit.

### ***Economic Governance***

In 2003, the government enacted three laws which are fundamental to Public Financial Management and which embody the norms of good governance. These are the Financial Administration Act, 2003 (Act 654); the internal Audit Agency Act, 2003 (Act 658); and the Public Procurement Act, 2003 (Act 663). Highlights of these laws are provided in the succeeding paragraphs.

#### ***Financial Administration Act, 2003 (Act 654)***

An Act to regulate the financial management of the public sector; prescribe the responsibilities of persons entrusted with financial management of government; ensure the effective and efficient, management of state revenue, expenditure, assets, etc. of government, the Consolidated Fund and other public funds and provide for related matters.

#### ***Internal Audit Agency Act, 2003 (Act 658)***

An Act to establish an Internal Audit Agency as an apex body to coordinate, facilitate, monitor, set standards and procedures and supervise internal audit activities within Ministries, Departments and Agencies and Metropolitan, Municipal and District Assemblies to secure quality assurance of internal audit within these institutions of state.

#### ***Public Procurement Act, 2003 (Act 663)***

Under the Act the objectives of the Board are to harmonise the processes of public procurement in the public service, secure a judicious, economic and efficient use of State Resources in public procurement and ensure that public procurement is carried out in a fair, transparent and non-discriminatory, manner.

It is significant to note that the Boards of the Public Procurement and the Internal Audit Agency have already been instituted and have started to operate as provided for under their enabling laws.

It is necessary to add that the Government has strengthened other state institutions with complementary roles. These institutions include the Judiciary, the Commission for Human Rights and Justice, the Serious

Fraud Office and the National Commission for Civic Education to ensure the deepening of democracy and the rule of law in society.

The media and civil society role is crucial to give voice to the voiceless. To facilitate their activities, Government has repealed the Criminal Libel law and has improved the consultative process with civic bodies to ensure their full participation in the nation building process.

### ***Direct Interventions of the State in Stimulating Productivity***

The government has supported wealth creation efforts by instituting measures targeted at the organised private sector (the big corporations) as well as small-scale enterprises active in the informal sector where poverty's impact is most felt. Some of the specific interventions of the government are:

- (i) **Establishment of Ministry for Private Sector Development:** The Government has created a Ministry for Private Sector Development whose mandate includes eliminating bureaucratic impediments to investment, developing the necessary framework for protection of property rights and forging positive partnership between government and the private sector;
- (ii) **Establishment of a Ghana Investment Advisory Council:** To further enhance the investment climate, the government has constituted a group of professionals of diverse nationalities and field of specialisation into the *Ghana Investors' Advisory Council (GIAC)*. The role of the Council is to promote understanding between the Government and private business companies and advise on measures to adopt to remove impediments to private sector development and improve the investment climate.
- (iii) **Ministry of Women and Children Affairs:** The importance of women as a critical wealth creation and poverty reduction agent led the government to establish a Ministry of Women and Children Affairs to deal with issues concerned with women and children in society. A revolving Women Development Fund has been set up to assist women producers and entrepreneurs. The sum of over 130 million cedis was distributed to more than 300,000 women in 2004 as credit.
- (iv) **The President's Special Initiatives:** The establishment of the President's Special Initiatives on salt, garments and textiles, oil palm and cassava starch to promote additional sources for economic growth, wealth creation and poverty reduction. The initiatives are direct interventions for creating a golden age of business and for increase in production trends.

- (v) **Emergency Social Relief Programme:** Another measure was the establishment of the Emergency Social Relief Programme (ESRP) in 2001, to reduce poverty among the poor by increasing employment opportunities through the provision of credit to micro and small-scale enterprises. Major interventions targeting women are being implemented. These include:
- micro credit for smallscale fish processors in the communities of Greater Accra, Central, Western and Volta regions.
  - support to food crop farmers; and
  - provision of loans to smallscale food vendors.

The initiatives mentioned above have had a generally salutary effect on wealth creation process in Ghana. In specific terms, the initiatives have:

- (i) Increased the level of direct and indirect employment and raised the income of the rural poor;
- (ii) Improved social and economic infrastructure in rural communities;
- (iii) Enabled exporters to take advantage of the US Government's African Growth and Opportunity Act (AGOA) and to penetrate other markets in Europe thereby boosting exports, increasing foreign exchange earnings and supporting related wealth creation efforts; and
- (iv) Introduced new technologies and modern business practices in the rural areas and assisted the informal sector to 'graduate' to higher-level enterprises.

## **V. Accelerating Productivity: Financing Options and Strategies**

In an effort to solve the problems facing the private sector as they applied for long-term credit, the Government introduced the Long Term Savings and Capital Development bill, which Parliament subsequently passed into Law. The objectives of the new law are to expand the pool of long-term savings, deepen the capital market and promote private sector development. Under the law, plans will be instituted to enable individuals to save for long-term purposes. The law accordingly incorporated provisions for the launching of Individual Retirement, Home Ownership and Educational Savings Plans.

At the same time, the *Venture Capital Fund* has been created providing for the transfer of up to 10 percent from funds accumulated under the National Reconstruction Levy. It is meant to make available long-term financing for investment in small- and medium-enterprises (SMEs).

## **Government Support to the Micro and Small Enterprises Sector**

Arising out of a genuine desire to address the financing and capacity needs of Ghanaians engaged in the micro and smallscale enterprises sector and to promote capital accumulation, the Government has put in place several policy interventions in three main areas:

- (i) Provision of micro credit
- (ii) Institutional strengthening; and
- (iii) Capacity building.

The purpose of the micro credit schemes is to provide financial support to the economically active but poor groups, especially women, in an effort at increasing their access to development resources, stimulating economic activity and reducing poverty. Among the projects covered by the micro-credit scheme are the following:

- (i) Village Infrastructure;
- (ii) Social Investment Fund;
- (iii) Private Sector Development Partnership;
- (iv) Farmers' Assistance Strategy;
- (v) Youth Development Fund;
- (vi) District Assemblies Common Fund;
- (vii) Women's Development Fund;
- (viii) Small-Medium Enterprises Credit; and
- (ix) Emergency Social Relief Fund.

The intended beneficiaries of these programmes include productive but poor farmers, women, artisans, as well as owners of small- and medium-scale enterprises.

The main achievements of this programme have been made possible by the prudent macro-economic policies implemented by some 80 selected rural/community banks and 40 other micro finance institutions under the supervision of the Bank of Ghana. These laudable and unprecedented achievements led to the establishment of women banking and allowed women to access loan facilities provided by financial institutions. The beneficiaries of the Micro Grants and Credits scheme in recent times include:

- (i) Over 120,000 women involved in economic activities such as farming, fish mongering and general trading;
- (ii) Over 45,000 farmers engaged in the cultivation of yam, cocoyam, cassava, plantain, tomatoes, maize, millet, vegetables etc.; and
- (iii) About 3000 artisans, 75 percent of whom are women.

Without the assistance provided under the scheme, the various classes of people would have remained unemployed and would have been unable to contribute to the stock of the nation's wealth.

## VI. Conclusion

As a result of the growth strategy embarked upon in recent years by the government of Ghana, productivity in both the formal and the informal sectors has continued to increase. The cocoa industry has particularly witnessed a rebound since 2001—in terms of provision of necessary inputs and payment of decent producer prices to the farmers.

Among the other measures that have restored investor confidence and improved the investment climate are the implementation of sound macro-economic policies, the enforcement of rigorous financial discipline, and the enhancement of the integrity, operational capacity and credibility of oversight institutions.

## References and Notes to Chapter 7

1. See Ghana Statistical Service *Population Census Survey*, Accra, Ghana, 2000.
2. At the end of 2000, a Debt Sustainability Analysis (DSA) was conducted which gave clear indications that our external debt servicing was unsustainable. The ratio of present value of Ghana's external debt stock to its domestic budget revenue was 571%. This was far in excess of the 250% threshold considered as a sustainable debt level.
3. On the 9th of March, 2001, when the Minister for Finance was presenting his first budget of H.E. President Kufuor's administration, it was announced that Ghana had decided to take advantage of the HIPC initiative.

In realisation of the core objectives of the HIPC debt relief initiative, Ghana's actual external debt servicing has been reduced drastically. From an annual average payment of US\$ 392.0 million (3,550.36 billion cedis) over 1998 to 2000, our external debt service payments have significantly declined to an average of US\$ 149.0 million (1,346.07 billion cedis) per annum from 2001 to 2003. Debt relief for 2004 alone is estimated at about \$268.5 million and over the next five years will amount to about \$1.15 billion. These are significant savings.

These HIPC relief resources were used to improve education and health services delivery, speed up rural electrification, enhance rural agriculture, feeder roads construction and rehabilitation, rural water and sanitation, among others. The projects being financed by

HIPC relief amounts are labelled 'HIPC Benefits' to provide tangible evidence of the gains from the HIPC decision.

On the 9th of July 2004, the Executive Board of the IMF reviewed Ghana's performance and confirmed the country's attainment of Completion Point. The World Bank also on 13th July 2004 ratified the decision of the IMF following another review of Ghana's performance by its Executive Board.

*Culled from a Press Release from the Honorable Minister of Finance on 8 July 2003 by the Hon. Minister for Finance and Economic Planning, Hon. Yaw Osafo-Maako, M.P.*

4. Quarterly Digest of Statistics, Various Issues.
5. See Ghana Selected Issues, IMF Country Report No. 03/134, 2003.
6. Some of the fiscal, monetary and exchange rate policies pursued are as follows: keeping expenditure under control; reducing the rate of inflation; stabilising the value of the cedi; increasing revenues and ensuring that revenue targets were met; improving the overall fiscal outturn; reducing net domestic borrowing; reducing the domestic debt by taking advantage of the HIPC initiative; and boosting exports and improving donor inflows.
7. Ghana Statistical Service Newsletter, Various Issues.
8. Bank of Ghana, *Annual Reports*, Various Issues.
9. IMF Bulletin, Various years.
10. The MDBS arrangement aims at supporting the implementation of the GPRS through direct budgetary contribution. Development partners and the Government have already endorsed the Framework Memorandum (FM) that will guide the MDBS arrangement.

Government believes that the MDBS mechanism represents a major improvement in development partnership as far as aid policy and coordination are concerned. Among other things, Government sought the MDBS partners to harmonise their procedures, performance assessment and disbursement mechanisms as well as planning and evaluation missions around Ghana's Budget cycle.

# Chapter 8



## Enhancing the Role of Women in Wealth Creation

*Gemma Mbaya*

### I. Introduction

The people of sub-Saharan Africa (SSA) remain among the poorest in the world. Concerns about poverty are not new and efforts at its alleviation are well documented and acknowledged. World Bank records indicate that in 1993, an estimated 40 percent of SSA lived on less than US\$ 1 per person per day. The 2002 per capita income in SSA was US\$ 577, having declined from \$660 in 1980. With particular reference to Kenya, the per capita income in constant 1982 prices declined from US\$ 271 in 1990 to US\$ 239 in 2002<sup>1</sup>. The poor economic performance of SSA has been made worse by other factors, including the HIV/AIDS pandemic which has wiped out the more productive populations. Other challenges include rampant corruption and growing unemployment. In Kenya today, the unemployment rate stands at 14.6 percent of the labour force<sup>1</sup>. This puts a strain on the remaining 85.4 percent. This also means an opportunity loss of the unemployed talent that could be used to boost the country's economy.

The poverty situation is further made worse by the low income levels which have a negative impact on people's access, especially women, to basic social services. The services that are beyond the reach of the poor include education, water, nutrition and health care (particularly, preventive health which is more cost effective than curative care). Poor access to health care is reflected in an average infant mortality rate of 0.9 percent per 100,000 live births which is higher among SSA countries than East Asia which boasts of only 0.3 percent per 100,000 live births.

This, in effect, negates the spirit and the letter of the 1995 Beijing Declaration and Platform for Action whose agenda was the advancement and subsequent improvement of the women's quality of life, mainly in the basic need areas of education, health, as well as safety and security. As the women meet their basic needs, they are able to engage more productively (both as participants and beneficiaries) in wealth creation; thereby contributing to their countries' poverty reduction and employment

creation efforts. Sadly, however, women in SSA, are voiceless, powerless, deprived and excluded. This may account for the low levels of agricultural production in most SSA countries.

It is against this backdrop that SSA has been grappling with various approaches and interventions to help slow down the increase in poverty.

A preliminary approach is the recognition of the fact that poverty levels differ across and even within countries. Therefore, each SSA country needs to arrive at a reality-centred assessment of the actual location and status of poverty within its ranks. The second approach to poverty alleviation is to change the focus to development objectives, with emphasis on wealth creation and an all inclusive strategy that involves all stakeholders in wealth creation.

Figures 8.1–8.3 show the variability in the incidence of poverty across SSA countries, according to the level of per capita gross domestic product growth between 1985 and 1992.

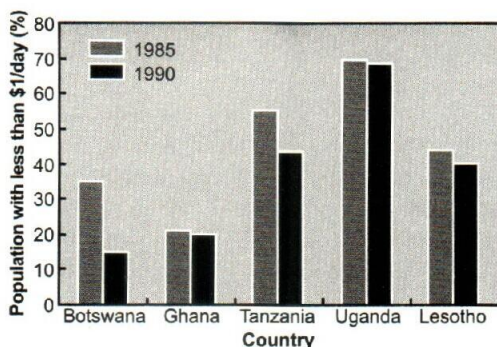


Figure 8.1: GDP per capita growth over 0.5% in selected SSA countries<sup>3</sup>

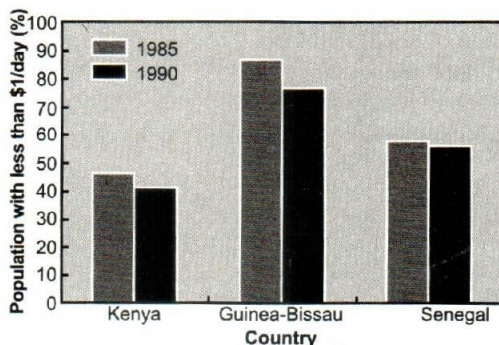


Figure 8.2: GDP per capita growth -0.5% to +0.5%<sup>3</sup>

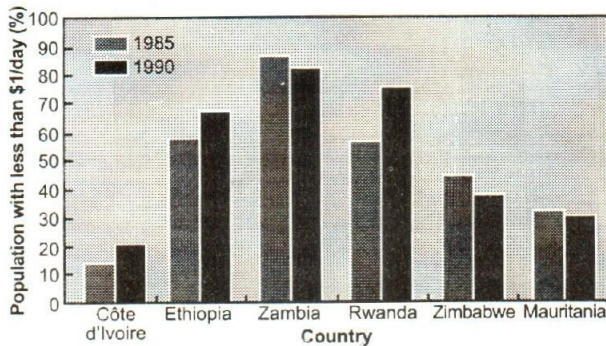


Figure 8.3: GDP per capita growth below -0.5%.<sup>3</sup>

An important and strategic stakeholder in wealth creation is the woman because in all her multiple roles she contributes to wealth creation. A World Bank study<sup>2</sup> shows that efforts to improve women's lives lead to greater economic growth, and that unequal access to education and employment for men and women reduced per capita growth in SSA by 0.8 percentage points. Therefore, including women in wealth creation and enhancing their role therein is good economics for SSA.

A cursory examination of the women's cycle of activities in both rural and urban areas reveals that they are engaged in multiple roles that contribute directly or indirectly to wealth creation. The chapter discusses the spiritual, socio-cultural and economic roles of women; their significance in wealth creation and therefore the justification for their enhancement.

## II. The Role of Women in Wealth Creation

### *The Spiritual Role*

Women constitute a spiritual bedrock of their societies. They offer prayers for themselves and for their communities<sup>4</sup>. According to the Islamic faith, women are givers of life; they rule the cradle almost single handedly and they nurture and shape life from inception to maturity. According to Ikhwan<sup>5</sup> the task of childbearing and motherhood, assigned to the woman, by Allah, is so onerous that it takes precedence over any other. This spiritual role is viewed as being central to the stability, cohesion and efficiency of the family and that of the whole society.

In the early Christian Church, although the women could not preach in the public sphere, they actively converted and instructed children, adolescents and their mothers in the faith. Similarly, men who went on to become bishops and important fathers of the church were brought into the faith by such women. The situation has changed somewhat in current

times, although there are still some faith-led organisations where women are excluded from the priesthood (on the assumption that women are to be seen but not heard). The woman's spiritual role engenders in her attributes such as patience, tenacity, perseverance and determination to overcome the odds of her existence. These can have a positive knock-on-effect in areas of wealth creation. The women's spiritual role, therefore, if well harnessed, can inspire a country's policies and provide innovative solutions to social and economic problems, including those that interweave with wealth creation.

### **The Socio-Cultural Role**

Besides the spiritual role, women play important socio-cultural roles. The women are the custodians of the norms, morals, beliefs and values of their communities. Mbithi<sup>4</sup> attests to this view when he says that these beliefs are transmitted by women from one generation to the next through stories, sayings and proverbs as well as songs and dance. Through these media, the women teach their children to emulate the good and to shun the bad, thereby shaping the character of an entire country.

In their socio-cultural roles, women are expected to look after children, their own as well as those of the entire society. (Unfortunately this practice is dying out due to the assimilation of the culture of individualism and 'modernisation'.) The women take care of the sick and the elderly, besides looking after their husbands and the extended family within the household or without. They also participate in the larger community affairs, such as weddings, funerals and other communal ceremonies. Absence from such occasions is frowned upon and usually incurs heavy penalties, including ostracisation depending on the significance of the occasion missed.

Failure to participate in social functions is viewed as an affront to the community's well-being akin to its desecration. It stigmatises not only the absentee but also the entire family and the clan to which s/he belongs. It is noteworthy that the performance of this role is underpinned by substantial peer pressure to ensure conformity with and non-violation of the traditional norms.

Viewed from the perspective of wealth creation, it is possible to interrogate these norms to identify those that can support initiatives at wealth creation, particularly where organisations shy away from providing credit support to women entrepreneurs due to the risk of non-enforcement of contractual agreements.

The socio-cultural role also engages women in the task of attending to traditional births in their communities. This age-old practice seems to gain rather than diminish in prominence as days go by. According to the *East African Standard*<sup>5</sup>, an increasing number of women in Kenya prefer

TBA (traditional birth attendants) during delivery to trained midwives

in public and private hospitals. Available statistics reveal that medically-assisted deliveries have declined from 45 to 42 percent over the last 10 years.

Although maternal mortality rates that are due to unsafe and unskilled deliveries in these traditional clinics currently stand at 0.4 percent deaths per 100,000 live births in Kenya, it is possible to turn around this situation by creating capacity among traditional birth attendants for safe and skillful delivery and thereby stopping unnecessary deaths. This would enhance the capacity of women at wealth creation, since the trained TBA would be providing services that are in demand.

Women engage in subsistence farming, such as growing kitchen gardens and rearing chickens for home consumption. The more entrepreneurial among them keep one or two cows for milk and for domestic consumption, thus enhancing the nutritional status of their households, particularly of the children, the sick and the elderly.

A socially adjusted and nourished household is a boon to the labour market as it produces individuals that form an invaluable labour force. The preceding analysis demonstrates that the women's socio-cultural role makes an indirect contribution to wealth creation and provides a case for its enhancement.

### **The Economic Role**

In their economic role, women are the backbone of the economies of SSA. According to Susskind<sup>7</sup>, women generate more than 20 percent of household incomes and work approximately 17 hours a day. Women account for 75 percent of the workforce that grows, processes and markets food. In Rwanda, poor and marginalised women are the people primarily responsible for meeting their families' basic needs. In Malawi, women play an active role in agriculture and about one-third of all households are female headed. In Uganda, where agriculture accounts for over 45 percent of the GDP, women constitute 85 percent of its labour force. Agriculture and its related enterprises (85 percent) in Kenya is tended by women, contributing approximately 30 percent of the country's GDP. Where a country's agriculture is rainfed, during drought, and as famine sets in, as happened in Kenya in 2004, the women and children are the ones who bear the brunt, since it is difficult for them to abandon their homestead. The woman is, therefore, more tied to the home and its neighbourhood than the man. This is a wake up call to SSA countries to invest in enhancing the role of women in wealth creation, through agriculture, to ensure sustainable food security in their countries.

In addition to the aforementioned, women in Kenya engage in other economic activities such as goat rearing, bee keeping, and tie-and-dye.

Some of them sell 'mitumba' (second hand clothes), while others engage in merry-go-rounds (pyramid schemes for individuals to receive money collected on a rota basis) or sell their labour on farms as work-for-food. All these are attempts at wealth creation that need to be provided with sustainable support.

From the preceding discussion, it is evident that most rural and urban women operate in the informal sector. This is so because the sector absorbs both illiterates and semi-illiterates. Entry into the sector is easy, as most businesses are not registered with the Registrar of Companies, and only a few have licences from local authorities<sup>8</sup>. The sector is usually unregulated and makes use of low and simple technologies. Its activities are undertaken in work sites, such as open yards, kiosks, residential houses and street pavements. The relaxed nature of informal sector operations frequently places them (the operations) at loggerheads with formal authorities, particularly when it comes to the enforcement of zoning, vagrancy, sanitation, and traffic laws and ordinances.

### ***The Importance of the Three Roles in Wealth Creation***

This chapter has so far exemplified three of the many roles that women play. The choice of the three roles (the spiritual, socio-cultural and purely economic roles) is informed by the significant bearing (though not in equal measure) they have in wealth creation, whether directly or indirectly.

Figure 8.4 shows that the socio-cultural role takes the lead (50 percent), followed by the economic role (30 percent). The import of this is the relationship that exists between them, which indicates that activities of wealth creation must acknowledge the relevance of both to the success of wealth creation initiatives.

Women's work, irrespective of its importance whether in raising children, farming, trading or tending to the sick, goes unnoticed and is often ignored. When the role is noticed, it is unharnessed and excluded from GDP calculations.

Despite the centrality of agriculture to the economies of many SSA countries, the women

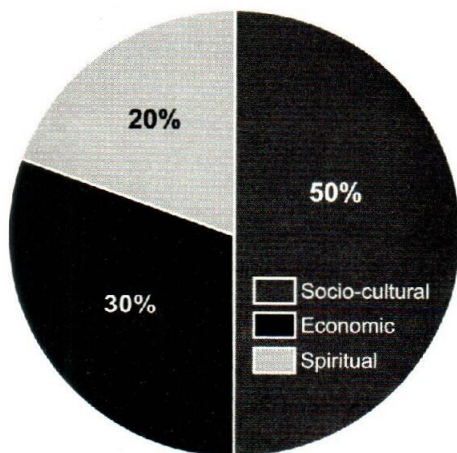


Figure 8.4: Estimation of the value of spiritual, socio-cultural and economic roles that women play in wealth creation in SSA

fail to access credit to purchase inputs, such as seeds and fertiliser to boost agricultural production. And where women are able to get seeds, their limited education and exposure, at times, preclude them from accessing the technical, instructed information that accompanies the seeds. In many patriarchal communities, women face obstacles in claiming and exercising their property rights, and in obtaining institutional support for property acquisition, which may help them to get collateral to enhance their wealth creation chances. This makes it difficult for the women to optimise the productivity of their farms and related enterprises.

In Kenya, women constitute 52 percent (1999 census) of the electorate, yet their civil liberties remain inaccessible because they are unaware of the existence of such liberties. Where the liberties are known, women fail to claim them. Thongori's remarks are very apt when she posits that "9 the law is the core of protection. It is the tool that women can use for their advancement..."9 (and for wealth creation). Unless a right is codified and made enforceable, it is impossible to claim it.

The women who are employed in the formal sector are not better off. Here, the women come face to face with 'glass ceilings'. Although some of them have managed to break such ceilings with varying degrees of success, many of the ceilings remain too thick to be broken, forcing women to contend with tokenism in their organisations, unable to influence policies or boardroom decisions that affect them. It is worthy of note that the majority of women in the formal sector operate from the backwaters of their organisations where they spend time obeying orders and following procedures without question even when situations demand that such questions be asked. One writer<sup>10</sup> puts the figure of such employees at over 50 percent of the population. Clearly, a major shift in thinking and action is called for to enable the women to be active partakers of the wealth they create, to enhance their wealth creation endeavours and to make this process self-sustaining. This calls for deliberate and essential measures to be undertaken both by governments and other stakeholders. This is the subject of the next section of this paper.

### **III. Measures to Enhance the Role of Women in Wealth Creation**

The search for measures to enhance the role of women in creating wealth begins with the recognition of the key roles that the women play which directly or indirectly contribute to sustainable social and economic development in SSA. It is also an acknowledgement that wealth creation is a strategy of poverty reduction whose success calls for mass participation. However, mass participation can only be as effective as the skills, knowledge and right attitudes possessed by the participants.

In this connection, women would have to be equipped with the skills needed for efficient wealth creation, once the need for the same has been established. It is noteworthy that not all women will require the same type of training. Women's needs are not homogeneous; they are as varied as the poverty levels. This calls for a variety of interventions.

For example, women engaged in agricultural production may require skills on how to access information from extension officers, or how to use a micro financing institution to access credit. Others may require training on product pricing or business planning. Concern over skill provision must go hand in hand with the selection of appropriate methods of training in order not to offend the principles of adult learning, relevance and practicability. Consideration of the cost and venue for training is just as important. On-site or on-farm training may be more appropriate and cost-effective than exclusive reliance on formal learning environments.

Since wealth creation activities of women are saddled with multiple legal and institutional constraints, governments need to examine these and the extent of their negative impact on wealth creation. Laws that bar women from owning land and enjoying property rights, as well as structures that work against their accessing information or services required for business transactions should be drastically amended. Government can also simplify procedures for acquiring licences for women-owned enterprises. Similarly, commercial banks could be encouraged to adopt procedures that are women-friendly and pro-poor to enable women to access credit.

It is important to note that the Kenya Government established the National Social Economic Council (NSEC) to advise on how best to revive the economy and reduce poverty<sup>11</sup>. The Council could be persuaded to broaden its terms of reference to include income-generating and wealth creation ventures undertaken at the local level by women. The Council should harmonise its efforts with those of the Local Authority Transfer Fund (LATIF) and other credit and finance institutions with grassroots connections. LATIF should itself be encouraged to take an active part in creating conditions that are conducive to smallscale business productivity.

Recently, in Kenya, the Government raised the rate of tax payable on *mitumba* (second hand clothing). This was met with widespread condemnation before it was explained that the additional tax was dictated by the need to harmonise local taxation with the level agreed under the Regional Customs Union protocol. The response would have been less hostile if the *mitumba* entrepreneurs had been further informed that a certain percentage of the tax returns would be ploughed back into their business as government's contribution to nurturing and promoting efforts at wealth creation.

Decisions about interventions must be preceded by an exploration of what sustainable wealth creation initiatives exist already and what policies

SSA governments can develop to support their sustenance. Similarly, governments need to compile an inventory of successful wealth creation schemes and use these as practices that their less successful counterparts might wish to emulate. Such information enables governments and stakeholders to build on what the women are familiar with and are already doing to create wealth. This would also enhance the viability of their wealth creation projects.

SSA governments alike could introduce credit schemes, or support existing ones to enable women who are low income earners to have access to credit. Credit strategies and mechanisms could be put in place to ensure that loan application screening is biased in favour of the poor. To strengthen the credit support, governments could create a forum in which credit beneficiaries would meet to exchange views and share experiences on credit acquisition and utilisation. In the process, it would be possible to showcase the value of micro financing in wealth creation. In Kenya, the Kenya Women Finance Trust (KWFT) stands out in financing low-income women entrepreneurs. Currently it works with 45,000 active women clients, whose average repayment rate is upwards of 97 percent<sup>10</sup>.

Availability of credit to women entrepreneurs would have many benefits. At the minimum, credit would enable them to acquire the inputs they need to effectively manage their wealth creation projects. This would in future enhance their bargaining power, increase their self-esteem and confidence to exit from exploitative relationships, claim their rights where these are infringed upon, and generally, enlarge the economic space.

A corollary to credit accessibility is the encouragement of women to save, however modest, proportions of the earning from their wealth creation pursuits. Out of an income of Kshs. 1, a woman should be encouraged to save at least 30 cents. Fortunately, women are good at saving. They learn at an early age to put aside something for a rainy day. Consequently, all what the women need do is to transfer the saving skills to wealth creation. For the savings idea to hold, governments in SSA need to encourage the establishment and strengthening of micro finance institutions (MFI). This will ensure that women are consistently supplied with credit to finance their wealth creation ventures. High poverty levels in SSA have for long been attributed to lack of savings and investment by traders. In Kenya, in the Lake Victoria Region for example, 5000 fishermen have started a bank and opened bank accounts in a bank called Osienala Beach Bank, along Lake Victoria. Every evening Osienala employees go to the landing beach to collect money from the fishermen so it could be banked. Over time, a culture of saving, credit and investment will be developed among the fishing communities<sup>12</sup>. This idea of establishing a pro-poor bank can serve as an eye opener and pace-setter to other communities, particularly women who usually have few flexible loan arrangements.

Enhancing the role of women in wealth creation calls for the development of their capacity to identify and respond to their own issues. Conducive environments need to be created and sustained to support the woman entrepreneur to take responsibility for her wealth creation role. This support has to address all the roles that the woman performs in her society. A focus on the economic role alone may present a limited and partial picture of her workload and other resources at her disposal.

## **IV. Conclusion**

Reducing poverty has posed the biggest challenge to countries in sub-Saharan Africa. A number of strategies have been attempted with varying degrees of success. Wealth creation is a strategy that gives poverty reduction a positive and developmental orientation.

Poverty has a feminine face in that some of the socio-cultural factors that fuel poverty in SSA do not apply to men. This paper has examined the women's spiritual, socio-cultural and economic roles and how each contributes to wealth creation. According to the paper, all these roles must be addressed when wealth creation efforts are being planned, since a focus on one role to the exclusion of the rest is likely to present an incomplete and inaccurate picture of the contributions that women make to increase the stock of their countries' wealth.

The paper further argues that sub-Saharan African governments have a crucial role to play in creating an environment that is conducive to wealth creation by women. This enabling role of government includes the removal of legal, institutional and structural barriers to women's wealth creation efforts. The paper also highlights the importance of mainstreaming women in all wealth creation processes, as they become active participants in, and beneficiaries of, the processes.

Although this paper has addressed the role of women in wealth creation, the point must be made that women cannot work in isolation. It is therefore essential to enlist the support of men while making a strong case for women participation in economic activities.

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