# POVERTY, LIVELIHOODS, AND GOVERNANCE IN AFRICA

## Fulfilling the Development Promise

KEMPE RONALD HOPE, SR.

# Poverty, Livelihoods, and Governance in Africa

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To OMC
Troublesome but my beloved

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# Preface

Africa is a continent with abundant natural and human resources. Yet, it has been beset by poor development performance stemming principally from bad political and economic governance and, until recently, had lacked the wherewithal to fulfill its promise of good development outcomes for sustained improvement in the lives of its citizens. In fact, Africa was a region that was characterized by, among other things, frequent conflicts, rampant corruption, neopatrimonialism, weak governance systems and institutions, statist economic policies, persistent poverty, and disease. All of these factors either contributed to, or were a manifestation of, generally unsatisfactory development performance for the continent. However, in recent years, Africa has been on the move positively and this book is about that achievement.

Most books on Africa are about doom and gloom and I may also be guilty of previously contributing some share to that perspective. This book, on the other hand, is forward-looking. It is about hope and promise. Its essays analyze Africa's past and current development problems, and the continent's now improving development performance—denoted by rising growth rates, declining poverty, better macroeconomic indicators, increasing exports in many countries, an improving investment climate, a decline in conflicts, an enhanced governance environment, and greater self-reliance—and the factors that have given rise to that state of affairs.

Having endured a lost decade in the 1980s and established a new partnership for development at the beginning of the twenty-first century, African countries now need to make even more serious and concentrated efforts to implement additional policy reforms, as outlined in this work, to further improve their governance and economic performance, and sustain momentum to meet their development goals. In this book, I argue that Africa can and must fulfill its promise of better development performance. The prospects are much better now than ever as demonstrated throughout this work.

For some of the chapters in this volume I have drawn on some of the content from some of my previously published work. The

acknowledgements are as follows: "Child Survival, Poverty and Labor in Africa," *Journal of Children and Poverty* 11(1), 2005: 19–42 (available at www.informaworld.com); "Toward Good Governance and Sustainable Development: The African Peer Review Mechanism," *Governance* 18(2), 2005: 283–311 (Blackwell Publishing); and "Prospects and Challenges for the New Partnership for Africa's Development: Addressing Capacity Deficits," *Journal of Contemporary African Studies* 24(2), 2006: 203–28 (available at www.informaworld.com).

This work has also benefited from comments received from some of my colleagues at various academic and international institutions. They know who they are. I am grateful to them for taking time out from their busy schedules to read all or parts of the manuscript. As is customary, any errors or omissions remain my sole responsibility.

Finally, the views expressed in this book are private and entirely my own. They do not necessarily represent the views of the United States Agency for International Development (USAID) or any other organization with which I am affiliated.

Kempe Ronald Hope, Sr.

# Acronyms

| | |
|---|---|
| ACBF | African Capacity Building Foundation |
| ADF | African Development Forum |
| AfDB | African Development Bank |
| AIC | Africa Infrastructure Consortium |
| AIDS | Acquired Immune Deficiency Syndrome |
| AMCOW | African Ministerial Conference on Water |
| APF | Africa Partnership Forum |
| APR | African Peer Review |
| APRM | African Peer Review Mechanism |
| AU | African Union |
| BNPC | Botswana National Productivity Center |
| BOO | Build-own-operate |
| BOP | Bottom-of-the-pyramid |
| CAADP | Comprehensive Africa Agriculture Development Programme |
| CBNRM | Community-based natural resource management |
| CCFA | Commission on Capital Flows to Africa |
| CFA | Commission for Africa |
| CPI | Corruption Perception Index |
| CPRC | Chronic Poverty Research Center |
| CRC | Convention on the Rights of the Child |
| CSC | Coalition to Stop the Use of Child Soldiers |
| CSOs | Civil society organizations |
| DFID | Department for International Development |
| DPT | Diphtheria, pertussis, and tetanus |
| DRC | Democratic Republic of the Congo |
| EAP | Education Action Plan |
| EU | European Union |
| FAO | Food and Agriculture Organization |
| FDI | Foreign direct investment |
| G8 | Group of seven industrialized countries (Canada, France, Germany, Italy, Japan, United Kingdom, and United States of America) plus Russia |
| GCI | Growth competitiveness index |

| | |
|---|---|
| GDP | Gross domestic product |
| GEMAP | Governance and Economic Management Assistance Program |
| GFHR | Global Forum for Health Research |
| GMACL | Global March Against Child Labor |
| GNI | Gross national income |
| GUD | Genital ulcerating disease |
| HIPC | Heavily indebted poor countries |
| HIV | Human Immunodeficiency Virus |
| HSGIC | Heads of State and Government Implementation Committee |
| ICLS | International Conference of Labor Statisticians |
| ICZM | Integrated coastal zone management |
| IEC | Information, education, and communication |
| IFAD | International Fund for Agricultural Development |
| IFI | International Financial Institutions |
| ILO | International Labor Office |
| IMF | International Monetary Fund |
| IOM | International Organization for Migration |
| IPAA | International Partnership Against AIDS in Africa |
| IPU | Inter-Parliamentary Union |
| IUCN | International Union for the Conservation of Nature |
| KBS | Kenya Bus Services |
| LEAPs | Local Environmental Action Plans |
| LHWP | Lesotho Highlands Water Project |
| LRA | Lord's Resistance Army |
| MAP | Millennium Partnership for the African Recovery Program |
| MCA | Millennium Challenge Account |
| MCC | Millennium Challenge Corporation |
| MDGs | Millennium Development Goals |
| MELISSA | Managing Environment Locally in Sub-Saharan Africa |
| NAI | New African Initiative |
| NEAPs | National Environmental Action Plans |
| NEPAD | New Partnership for Africa's Development |
| NGOs | Nongovernmental organizations |
| NPM | New Public Management |
| NPS | New Public Service |
| ODA | Official development assistance |
| OECD | Organization for Economic Cooperation and Development |

| | |
|---|---|
| PACT | Partnership for African Capacity Building |
| PHR | Physicians for Human Rights |
| ROSCA | Rotating savings and credit association |
| ROSCAs | Rotating savings and credit associations |
| SACI | Southern Africa Capacity Initiative |
| SADC | Southern African Development Community |
| SEACAM | Secretariat for Eastern African Coastal Area Management |
| SEWA | Self-Employed Women's Association |
| SEWU | Self-Employed Women's Union |
| STIs | Sexually transmitted infections |
| SWAPs | Sector wide approaches |
| TECCONILE | Technical Cooperation Committee for the Promotion of the Development and Environmental Protection of the Nile Basin |
| TI | Transparency International |
| UK | United Kingdom |
| UN | United Nations |
| UNAIDS | Joint United Nations Programme on HIV/AIDS |
| UNCTAD | United Nations Conference on Trade and Development |
| UNDP | United Nations Development Programme |
| UNECA | United Nations Economic Commission for Africa |
| UNEP | United Nations Environment Programme |
| UNFPA | United Nations Population Fund |
| UNHCR | United Nations High Commission for Refugees |
| UNICEF | United Nations Children's Fund |
| UNIDO | United Nations Industrial Development Organization |
| UNIFEM | United Nations Development Fund for Women |
| UPC | Union des Patriotes congolais (Union of Congolese Patriots) |
| USAID | United States Agency for International Development |
| WFP | World Food Programme |
| WHO | World Health Organization |
| WITS | Work improvement teams |
| WRI | World Resources Institute |
| WSP | Water and Sanitation Program |
| WUC | Water Utilities Corporation |
| WUP | Water Utility Partnership |
| WWF | World Wildlife Fund |

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# Chapter 1

# Poverty and Environmental Degradation: Policy Implementation for Reversing the Spiral

Poverty, in all of its manifestations, remains a serious problem in Africa despite the fact that the incidence of poverty on the continent has recently been declining. The nature of poverty in Africa keeps its eradication as a central objective of socioeconomic development. Also, strategies for reducing poverty in the African region have begun to pay more attention to the relationship between environmental degradation and that poverty. This nexus of poverty and environmental damage has led to a situation where the poor are both the victims and perpetrators of environmental damage in Africa. Environmental degradation contributes to poverty through, among other things, worsened health and by constraining the productivity of those resources upon which the poor rely, while poverty restricts the poor to acting in ways that are damaging to the environment.

This two-way relationship between poverty and environmental degradation in Africa is therefore a significant one. Consequently, caring about the environment and poverty in Africa is not a luxury but a prime necessity. Reversing the downward spiral of this relationship is a key element in the strategy to improve and sustain socioeconomic development in Africa and, in particular, to eradicate poverty. This chapter examines the primary issues contributing to the downward spiraling two-way relationship between poverty and environmental degradation in Africa, and then discusses and analyzes priority areas of a managed policy framework for reversing that spiral.

## The Poverty and Environment Nexus in Africa

Poverty in Africa continues to be a major socioeconomic problem despite the gains in economic progress in some of those countries since embarking on the process of economic liberalization or structural adjustment in the early 1980s. Understanding the nature and features of this poverty in Africa is a basic precondition to designing policies to eradicate poverty in the shortest feasible time. Moreover, it is an important reference point for development strategy in Africa and for engaging policy makers in an informed dialogue on how best to fashion such strategies in the quest to meet the Millennium Development Goals (MDGs).

African poverty has many facets. It is characterized by a lack of purchasing power, rural predominance, exposure to environmental risk, population displacement, insufficient access to social and economic services, rapid urbanization, and few opportunities for formal income generation. The poor in Africa are, however, not a homogeneous group. They instead fall into three categories. The first category can be designated as the chronic poor. These are individuals at the margin of society and who constantly suffer from extreme deprivation. The second category can be referred to as the borderline poor. These are individuals or households who are occasionally poor, such as the seasonally unemployed. The final category can be termed the newly poor. These are individuals or households who may be the direct victims of stagnant economic performance in their countries. They include retrenched workers (Hope, 2004).

The key features of Africa's poverty history include the past poor record of economic growth, high inequality in income and asset ownership, and inadequate access to basic social services, which result in low levels of human resources development and low agricultural productivity. Although economic performance in many African countries has been improving since the mid-1990s, growth across Africa is still inadequate to reverse the existing poverty throughout the continent. Looking at the historical record, sub-Saharan Africa is one of the few regions where per capita incomes had been falling. In 1980, sub-Saharan Africa's gross national income (GNI) per capita was US$650. However, by 2004, GNI per capita was US$600 and the region had ended the millennium 5 percent poorer than it was in 1990 (UNDP, 2002, 2005, 2006; World Bank, 2004). With a population growth rate averaging more than 2 percent per year, the number of people living in poverty tended to increase before recently declining. However, since 2003 GNI per capita has been increasing and was US$842 by 2006 while growth rates have exceeded 5 percent since 2004 (World Bank, 2007).

Undoubtedly, Africa is the poorest region in the world. It has the largest share of people living below US$1 per day. Currently, an average of 41 percent of the population in sub-Saharan Africa lives in absolute poverty compared to 32 percent in South Asia. In 2001, 47 percent of the population of sub-Saharan Africa lived in absolute poverty, so poverty is declining in Africa (UNIDO, 2004). About 30 percent of Africa's population is classified as extremely poor (Hope, 2004). Poverty in Africa is predominantly rural with approximately 59 percent of the rural population living in poverty. However, urban poverty has also been increasing substantially. The most recent comprehensive data on urban poverty indicate that approximately 43 percent of the urban population in Africa lives in poverty.

The poverty situation in Africa can also be looked at from the point of view of the distribution of income. In many African countries, the disparity in income is quite significant. Compared to other regions of the world, Africa has the second most unequal income distribution next to Latin America. The most frequently used measure of income inequality is the Gini index. It ranges from zero (complete equality) to 100 (complete inequality). The most recent Gini index for sub-Saharan Africa is 72.2 (UNDP, 2006). In some countries—such as South Africa, Namibia, Swaziland, Lesotho, Central African Republic, and Sierra Leone, for example—the data indicate that the Gini index exceeds 57.5 with the richest 20 percent of their population accounting for more than 62 percent of total income or consumption compared to an average share of 2 percent of income or consumption for the poorest 20 percent (UNDP, 2006).

## Population Growth and Urbanization

Poverty in Africa is exacerbated by both population growth and the pattern of human settlements. The population in most African countries doubles within twenty to thirty years. This is a demographic explosion unparalleled in human history (World Bank, 1996). During the past three decades, the pattern of human settlements has shifted toward an urban bias. Because cities are the main catalysts of economic growth in Africa, their economic attraction and the resultant urbanization have been major contributors to both urban poverty and environmental degradation. As more and more rural migrants voluntarily attempt to escape from rural poverty, they flood to the cities in search of income-earning opportunities. This phenomenon has been noted by Farvacque-Vitković and Godin (1998, v) in the following terms: "The massive migration of people from rural into urban areas is the most spectacular demographic upheaval that Africa has experienced in recent decades." This not only intensifies urbanization but also contributes in a major way to urban poverty with all of its attendant consequences on the furthering of environmental degradation (Hope and Lekorwe, 1999).

In addition, there has been some involuntary migration—national (internal) and international—into the urban centers in Africa. In both scenarios, the contributing factors tend to be civil wars, local conflicts, and bad governance as well as environmental degradation and resource scarcity resulting from a lack of arable land, deforestation, loss of natural habitats, soil erosion, depletion and pollution of water resources, and a cycle of droughts and floods. At the same time, involuntary migrants exaggerate the scale of environmental problems when circumstances push them to move in large numbers simultaneously and therefore force them to compete for natural resources such as fuelwood, building materials, fresh water, and wild foods to ensure their survival.

Even with the current decrease in political breakdown and civil strife, the number of involuntary migrants could likely continue to expand across the African continent, from ecologically risky and economically fragile areas to more environmentally sound and prosperous areas as was argued by the World Bank (1996). This, in turn, will negatively impact the environment. However, natural disasters, such as the floods that occurred in Southern Africa during the 2000 rainy season, have a tendency to concentrate the problem and increase the number of refugees and internally displaced persons.

Although it is difficult to derive precise estimates of the scope of the environmental damage done by involuntary migrants, some data have emerged from the few studies available. At the height of the refugee crisis in Tanzania in 1994–1996, for example, a total of 570 square kilometers of forest was affected, of which 167 square kilometers was severely deforested. An impact assessment study conducted in Zimbabwe in 1994, when Mozambican refugees had returned to their homelands, showed a reduction of 58 percent in the woodland cover around the camps (UNHCR, 2001a). In the early 1990s, an estimated 20,000 hectares of woodlands were cut each year in Malawi to provide firewood and timber for the various camps hosting Mozambican refugees. In December 1996, refugees from Burundi and Rwanda housed in the Kagera region in Tanzania consumed more than 1,200 tons of firewood each day and a total of 570 square kilometers of forests were affected, of which 167 square kilometers were severely deforested (UNHCR, 2001b). In Liberia, population displacement was found to have led to widespread environmental degradation in the form of deforestation, loss of vegetation and soil cover, erosion, pollution, and the accumulation of waste (UNEP, 2006). The United Nations High Commission for Refugees (UNHCR) has estimated that the environmental rehabilitation of refugee camps in Africa alone could cost as much as US$150 million a year (UNHCR, 2001b).

No other region in the world has experienced such high rates of urbanization with such levels of economic growth. Currently, the urban population in sub-Saharan Africa is estimated at 35 percent of the total population, from only 5 percent in 1900 and 21 percent in 1975. Africa's current annual urban growth is the highest in the world at close to 4 percent (United Nations, 2006). By the year 2030, it is projected that 54 percent of the population of the African continent will live in cities (United Nations, 2004). Urbanization in Africa presents both benefits and costs. An additional resident may spend money in the city and thereby contribute to the urban economy. However, an extra resident can also drive up the cost of providing public services, increase poverty, and add to the avoidable damage of the environment. For example, the majority of the poor tend to live in ecologically fragile zones. They overuse the surrounding lands for, among other things, fuelwood and subsistence and small cash-crop production, further endangering their physical environment, their health, and the lives of their children. At the same time, they are disproportionately threatened by the environmental hazards and health risks posed by living in poverty. However, it must be noted here that reducing poverty will often lead to improved environmental quality and vice versa (Hope and Lekorwe, 1999).

The poor are therefore both the perpetrators and victims of environmental damage in Africa. Their poverty status is reinforced by lack of access to jobs in the formal sector. As a result, the bulk of the poor make their living through subsistence activities or informal sector jobs, which tend to be more pronounced in the urban areas as discussed in chapter 2. Informal sector employment accounts for the majority of total employment in Africa. It also accommodates a significant proportion of the new entrants into the African labor force.

## Survival Tactics and Access to Services

For the poor in Africa, dealing with environmental problems—of which their poverty status is both the cause and effect—tends to be influenced by short-term considerations (Mink, 1993). Since they are struggling at the edge of subsistence levels, the poor therefore are preoccupied with their survival on a day-to-day basis. To ensure their survival, the poor are forced to act in ways that, in turn, degrade the environment and put them and their households at further risk. The immediate and most pressing environmental problems affecting the poor in Africa are those related to lack of access to safe water and sanitation services; poor management of solid wastes, especially in the urban areas; inadequate access to health care; inappropriate land use and housing; degradation of environmentally sensitive lands such as coastal areas; and the deteriorating natural resource base and ecological environment.

### *Water and Sanitation Access*

One of the most serious threats to the quality of life in Africa is the lack of access to water and sanitation services. By 2004, approximately 56 percent of the total population of sub-Saharan Africa had sustainable access to safe water compared to 48 percent in 1990, while an estimated 37 percent had access to improved sanitation services compared to 32 percent in 1990 (World Bank, 2002; UNDP, 2005, 2006; WHO and UNICEF, 2004). However, there is considerable variation in access to safe water and sanitation services among the countries in Africa. The population without sustainable access to safe water ranges from 5 percent in Botswana to 78 percent in Ethiopia, while for sanitation services the range is from 6 percent in Mauritius to 99 percent in both Chad and Eritrea (UNDP, 2006). Mauritius is also the only African country with safe water coverage to 100 percent of its population. Groundwater is extremely important in Africa. It is estimated that 75 percent of the African population uses groundwater as the main source of drinking water supply. However, groundwater accounts for only about 15 percent of the continent's total renewable water resources (World Water Forum, 2000). The demand for water is expected to grow by at least 3 percent annually until 2020 as populations increase and economies develop (UNFPA, 2004).

Among the reasons for the significant lack of access to safe water in many African countries is the deteriorating delivery infrastructure. That, in turn, results in considerable leakage and loss of water, which then leads to erratic water supply and irrational distribution. Much water is also lost through overflowing service reservoirs after abstraction, pumping or treatment, or during distribution (UN Water/Africa, 2006). For example, Kyessi (2005) found that in Dar es Salaam, the capital of Tanzania, an average of 60 percent of the water pumped is lost and only 40 percent finally reaches consumers. In this city, all potable water is supplied by Dar es Salaam Water and Sanitation whose daily total output of 204 million liters per day, to begin with, is less than one-half of the daily demand of 410 liters per day (Kyessi, 2005). Those who suffer most from this state of affairs are the people living in the impoverished areas.

*Health Care Access*

The lack of access to clean water and sanitation, in turn, threatens the health of the poor. As matter of fact, the lack of clean water and sanitation is the primary reason diseases transmitted by faeces are so common in Africa. Various diarrheal and other diseases are spread via the faecal-oral route, and this route is most efficiently traveled where water supplies and sanitary conditions are inadequate (Hope and Lekorwe, 1999). It is in these conditions that the poor are forced to live as they are unable to afford a better quality of life. Poverty therefore stands out for its overwhelming role in degrading health. Indeed, the World Health Organization (WHO) has called poverty the world's biggest killer (WHO, 1995). A research study found that the two biggest causes of death of the poor were respiratory infections and diarrheal diseases (Gwatkin and Guillot, 1999). Both are linked to environmental factors—dirty air and dirty water. The study also found that diseases with strong links to environmental factors are highly concentrated among the poor. For example, 60 percent of all malaria deaths and one-half of all deaths from diarrhea occur among the poorest 20 percent of the world's population. In contrast, communicable diseases caused only 8 percent of all deaths among the rich (World Bank, 1999a).

Such a situation provides a major imperative for African governments to implement policies that result in greater access to health care services for the poor. However, in the poorest countries, there are still large numbers of the population without access to health care services. On average, about one-third of the population of Africa lacks access to health care services and the number of physicians per 100,000 people varies from a low of only 2 in Tanzania to a high of 134 in Tunisia (UNDP, 2006). Moreover, there are now even greater demands placed on these inadequate health care services due to the AIDS pandemic currently sweeping across most of the African continent as discussed in chapter 3.

*Solid Waste Disposal Services*

Some African countries, particularly in their cities, can also be unhealthy places to live in due to their lack of capacity to collect and properly dispose of sewage and solid waste. Solid waste is a sizable and growing problem in Africa that is primarily influenced by urbanization. The concentration of waste in many African cities overwhelms the assimilative capacity of natural ecosystems within city limits and beyond, creating problems for surrounding neighborhoods and water use (Hope and Lekorwe, 1999). To be sure, solid waste often creates one of the most visible and foul-smelling environmental problems in Africa due to its sheer magnitude, indiscriminate disposal, decomposition, and lack of effective regulation of industrial sites.

Generally, most African countries are unable to keep pace with the growing volume of waste generated in their urban areas as a result of urbanization. For example, by 1994, Gaborone, the capital city of Botswana, generated almost 90 tons of solid waste each day from a population of 180,000 compared to the generation of 30–40 tons per day in 1985–1989 when the population was approximately 60,000. In 1988, the population of Dar es Salaam was approximately 1.5 million people and they generated 1,040–1,340 tons of waste per day. However, only about 180 tons of that amount was collected each day by the city council's garbage trucks operating on a small number of accessible streets (Beede and Bloom, 1995). Alexandria, the second largest city in Egypt, generates around 1,700 tons of domestic solid waste a day and, with nearly 40 percent of Egypt's industry, the city also generates nearly 800 tons of industrial waste per day (UNDP, 1998). In Accra, the capital of Ghana, residents generated about 800 tons of solid waste per day in 1990, with an annual increase of 6 percent. The major cities in West Africa produce between 150,000 and 300,000 tons of municipal solid waste per year and only about 40–60 percent of that is collected (AfDB, 2002). In Nairobi, capital of Kenya, about 1,600 tons of waste per day was generated in 2000 and only about 20–30 percent of that was collected (AfDB, 2002).

*Land Use and Housing Access*

The problem of solid waste disposal and collection in Africa is also considerably influenced by the pattern and nature of land use and housing in those countries. The poor, and especially the urban poor, have converted land and established housing settlements in ecologically fragile zones. Approximately 50 percent of the poor in Africa live on marginal lands of low productivity and high susceptibility to degradation (GFHR, 1999). Many of them live in shanty towns and squatter settlements. It is estimated that 72 percent of urban residents in sub-Saharan Africa live under slum conditions in such informal settlements (UNFPA, 2007). These informal settlements range from high density, squalid inner city tenements to spontaneous, peri-urban settlements lacking legal recognition (WUP, 2003). In Dar es Salaam, for example, squatter housing accounts for 70 percent of the total housing stock (Kombe, 2005).

These land settlements also tend to quickly deteriorate into further environmental hazards as they lack basic services such as water, sanitation, and electricity, for example. This, in turn, further endangers the health of the poor. Moreover, the housing in which the poor live tends to be substandard and overcrowded which, in turn, leads to rapidly deteriorating living conditions. This chaos in the housing situation for the poor in Africa has been attributed to the inability of governments to come to grips with the land management issue and this therefore makes it impossible, or very difficult, to provide basic services such as passable roads, storm sewers, drinking water supply, and so on (Farvacque-Vitković and Godin, 1998).

*Influence and Exploitation of Coastal Zones*

Another important factor contributing to the nexus of poverty and the environment in Africa is the changing nature of the coastal zones. A coastal zone is a dynamic area encompassing shoreline environments as well as adjacent coastal and marine waters. The characteristics of a coastal zone are (1) a dynamic area with frequently changing biological, chemical, and geological attributes; (2) it includes highly productive and biologically diverse ecosystems that offer crucial nursery habitats for many marine species; (3) it contains certain features such as coral reefs, mangrove forests, and beach and dune systems that serve as critical natural defenses against storms, flooding, and erosion; (4) its ecosystems may act to moderate the impacts of pollution originating from land, such as sediments and human waste; and (5) its coasts attract vast human settlements due to its proximity to the ocean's living and nonliving resources, marine transportation, and recreation (World Bank, 1995). These coastal areas also house important economic resources such as oil and gas reserves and mineral deposits. For example, in Benin, Ghana, Nigeria, Sierra Leone, and Togo the majority of industries and oil and mineral mining activities are situated in coastal zones (UNEP, 2002).

Apart from the island states (100 percent coastal area), African coastal zones range from as little as 2 percent of country area in Sudan to 82 percent in Djibouti with a corresponding population, as a percentage of country population, of 2 percent and 93 percent, respectively (World Bank, 1995). These coastal areas and their natural resources are under increasing threat from unmanaged human activities such as population growth, shoreline construction, pollution, habitat destruction, overfishing, and other overexploitation of resources. These activities, in turn, lead to such environmental impacts as deteriorating water quality and sanitation in the urban areas, coastal erosion, degradation of marine resources, and destructive fishing methods, among others.

In African rural coastal areas, the major economic activities of the poor are fishing in the near shore waters and farming of coastal lowlands to supply seafood and agricultural products for the inhabitants and urban centers. In the urban coastal areas, high population densities, high rates of fertility, and mounting in-migration from the rural areas have resulted in the continent as a whole being caught up in a vortex of urban coastal overcrowding. The coastal corridor along the Gulf of Guinea, for example, is considered most likely to reach saturation—exceeding the area's environmental carrying capacity—long before 2025 if current growth rates continue (World Bank, 1995). This rapid urbanization and poverty is resulting in "exploitative use of open access and common property resources while competing commercial interests in the fisheries and forestry sectors have taken advantage of poorly managed and monitored licensing regimes to mine resources to the point of depletion" (World Bank, 1995, 19). The consequence in both the rural and urban coastal areas is extensive environmental degradation, which, ultimately, hurts the poor the most.

*Natural Resource Depletion*

The final issue of concern in this section pertains to the deteriorating natural resource base and ecological environment. Cleaver and Schreiber (1994) have amply demonstrated that in much of sub-Saharan Africa the natural resource base and ecological environment are deteriorating primarily as a result of deforestation, desertification, soil erosion, and water resource depletion. This state of affairs results from both natural elements as well as the subsistence activities of the poor. In addition, excessive harvesting, poaching, and illegal trade also take a heavy and irreversible toll on animal and plant life. Excessive foresting, for example, destroys woodlands and the poor then have to walk much farther to obtain fuelwood, construction materials, and other forest products. Desertification already costs Africa US$9 billion per year (UNDP, 1998).

Overall, the convergence of population growth, poverty, the rising demand for lumber and fuelwood, and the conversion of forests to agriculture in Africa are expected to put increasing pressure on the continent's forests in the next few decades. The result is likely to be a considerable loss in forest area and quality that will further destroy the environment and way of life of the poor. It is estimated that 77 percent of frontier forest in Africa is currently under moderate to high threat from logging; mining, road-building, and other infrastructure projects; agricultural clearing; excessive vegetation removal; and other activities such as overhunting and plantation establishment (WRI et al., 1998). One study indicates that, during 1990–1995, Africa lost its forest cover at an annual rate of 0.7 percent and that 90 percent of the population depends on firewood and other biomass as sources of energy (UNFPA, 2001).

As the environmental problems of deforestation, vegetative degradation, desertification, soil erosion, and water resource depletion proceed in Africa, among other things, there will be declines in such factors as the livestock carrying capacity of pastures and rangelands, crop yields, the availability of fuelwood and other forest products, and water that can be consumed by both humans and livestock. Such continuing declines of environmental resources will have greater impacts on the poor given their much greater dependence on those resources for their survival and livelihoods.

## Toward Policy for Reversing the Spiral

Poverty and environmental degradation in Africa have been shown to have a two-way relationship. Consequently, any policy framework for reversing the spiral must contain elements that address the poverty and environment nexus as a comprehensive whole. Indeed, the policy framework must also aim to ultimately meet the targets of the MDGs agreed upon by the world's leaders in 2000. Those MDGs include (1) halving, by 2015, the proportion of people living in poverty; (2) halving, by 2015, the proportion of people who suffer from hunger; (3) integrating the principles of sustainable development into country policies and programs and reversing the loss of environmental resources; (4) halving, by 2015, the proportion of people without sustainable access to safe drinking water; and (5) achieving, by 2020, a significant improvement in the lives of squatters. In this section, the discussion and analysis focus on seven priority areas for policy implementation.

## Water and Sanitation

Currently, very large numbers of people in Africa have no access to safe drinking water and sanitation services. Their lack of overall access is at the heart of the poverty trap and it is they who are most affected by increasing water degradation and scarcity (Sharma et al., 1996). The poor often pay the most for water services and suffer the most in terms of health and economic opportunity. As clean water supplies have diminished, competition for supply has been growing, usually between expanding urban areas and rural dwellers, further disadvantaging the poor.

Water has therefore become a commodity of strategic importance in most African countries due to increasing demands, rising costs, and the rapidly diminishing supplies. Better management of water resources is the key to mitigating water scarcities in the future and avoiding further damage to aquatic ecosystems. From a long-term perspective, the water access problem must be addressed through policy choices that reallocate water to the most economically and socially beneficial uses (WRI et al., 1998). Developing sound water resource management programs will be crucial to Africa's poverty reduction, economic growth, food security, and maintenance of natural systems (Sharma et al., 1996). For example, universal access to even the most basic water and sanitation facilities would reduce the financial burden on health systems in sub-Saharan Africa by some US$610 million annually, which is equivalent to approximately 7 percent of the region's health budget (UNDP, 2006).

In that regard, *The Africa Water Vision for 2025* was developed by the World Water Forum 2000 of the World Water Council. It is a vision of an Africa where there is an equitable and sustainable use and management of water resources for poverty alleviation, socioeconomic development, regional cooperation, and the environment. Its framework of action encompasses (1) the strengthening of the governance of water resources; (2) improving water wisdom; (3) meeting urgent water needs; and (4) strengthening the financial base for the desired water future (World Water Forum, 2000). In addition, the African Ministerial Conference on Water (AMCOW) has been created "to share ideas and lessons and to provide mutual support and active direction" (WSP, 2002, 2). AMCOW's role complements the goals and organizational framework of the New Partnership for Africa's

Development (NEPAD)—a socioeconomic vision and strategic framework for economic recovery and sustainable development that was adopted by African leaders in 2001 as discussed in chapter 6.

However, it is unrealistic to assume that the poor can be comprehensively provided with access to water and sanitation services in a manner affordable to them. Nonetheless, the aim ought to be to increase access to water to as many poor households as possible through communal standpipes and, for sanitation, through the erection of ventilated pit latrines (developed in Zimbabwe) and/or condominial sewers (Hope and Lekorwe, 1999). This approach has been found to be successful in increasing access during the 1990s in such projects as the Mali Rural Water Supply Project and the Lesotho Sanitation Program (Sharma et al., 1996).

Many African countries have also been facing the challenges posed by growing water scarcity primarily by employing two strategies: (1) supply management, which involves locating, developing, and exploiting new sources of water for irrigation, households, livestock, and industrial use in a cost-effective manner; and (2) a scaling up of both rural and urban demand-responsive approaches into national policies and programs. In that regard, a number of national, regional, and global initiatives have been undertaken involving a mix of stakeholders and partners.

In Lesotho, for example, the Lesotho Highlands Water Project (LHWP), which is a complex interbasin water transfer scheme, would, among other things, export water from the Senqu/Orange River in Lesotho to the water-short areas of South Africa. The project, planned in five phases, will comprise a total transfer of up to 70 cubic meters per second (World Bank, 1999b). Other regional cooperation efforts are embodied in such frameworks as the Nile Basin Action Plan, developed in 1994 by The Technical Cooperation Committee for the Promotion of the Development and Environmental Protection of the Nile Basin (TECCONILE), to promote a comprehensive approach for water management on a river basin level; and the Protocol on Shared Water Course Systems in the Southern African Development Community (SADC) Region signed in 1995 by the SADC states. Among other things, the Protocol affirms the need for equitable use of shared waters in an environmentally sustainable manner (Hope and Lekorwe, 1999).

Private sector initiatives or semi-private sector approaches are best exemplified by the examples of Botswana and South Africa, respectively. In Botswana, there is a parastatal—the Water Utilities Corporation (WUC)—which operates under strict business principles supplying the country with a safe supply of water. The WUC charges commercially oriented tariffs appropriate for the urban conditions in the country and tariffs are increased when necessary. There are relatively high monthly tariffs but the progressive rate structure does not seem to exceed the ability-to-pay of the poorest customers (Hope, 2002). Currently, the WUC is managing a massive project (North-South Water Carrier Project) that moves water from a northern dam along a 360-kilometer pipeline to the villages and towns in the southern part of the country.

South Africa has also engaged in private sector partnerships to serve the poor. Between 1994 (when the African National Congress assumed power) and April 2003, the country's Community Water Supply and Sanitation Programme "provided access to 8 million people at an average cost of US$80 per person. Officials estimate that the remaining 6 million people will have access by 2008" (Postel and Vickers, 2004, 51). The poorest residents are provided with life-line quantities free of charge. In moving toward increasing access to water services, municipalities in South Africa have been engaging in partnerships with private sector participation. In March 1999, for example, Durban Metro in the Province of KwaZulu-Natal entered into an agreement with several partners to undertake a project to provide improved services to previously underprivileged communities in the Durban area. One of the partners is Vivendi Water, a private sector water company in South Africa.

Many international organizations have also been contributing to the efforts to improve and sustain access to safe drinking water and sanitation services in Africa. Perhaps the most comprehensive of these efforts can be found in the role played by the Water and Sanitation Program (WSP) established by the World Bank and the United Nations Development Programme (UNDP). Since 1978, the WSP has been working to help poor people gain sustained access to improved water supply and sanitation services. The WSP began as a set of separate projects supported by UNDP and implemented by the World Bank to test and promote low-cost appropriate technologies. Over the years, it has evolved into a global partnership active in more than twenty-five countries, with the majority of those being in Africa, and financially supported by multilateral and bilateral development agencies (WSP, 1999).

The WSP works with partners in the field to find and communicate innovative solutions to the problems faced by poor communities. This is accomplished through three mutually supporting objectives: (1) generating and communicating knowledge; (2) strengthening sector policies; and (3) improving investment effectiveness. One of the successful examples of the WSP's work in Africa can be found in its activities in the early 1990s in the city of Ouagadougou, Burkina Faso, which led to the development of a strategy for waste water and excreta disposal. The government adopted the strategy in 1994, which led to two projects applying the basic characteristics of "strategic sanitation" (WSP, 1999). Strategic sanitation is a demand-based approach offering an array of technological solutions and services and providing users with a choice of low-cost yet adaptable options. The approach included autonomous sanitation facilities, the promotion of appropriate technology, and the training of local artisans (WSP, 1999). In addition, public-private partnerships are encouraged and facilitated.

## Solid Waste Management

In Africa, and other developing regions, solid waste management has historically enjoyed much lower priority than other services that are considered essential such as water, sanitation, and electricity. However, the management of solid waste in Africa now takes on great importance due to the fact that both the growth in solid waste and its arbitrary disposal have been creating serious threats to local environmental quality and public health (Beede and Bloom, 1995). In the case of the latter, the poor are most affected. Improved solid waste services can yield significant benefits by safeguarding health, protecting the urban environment, and improving overall urban productivity.

The traditional approach to solid waste management, where municipal governments are responsible for almost all aspects of collection and disposal of solid wastes, has not been very successful in Africa. Consequently, a new bold approach, encompassing public-private investment partnerships, is what is required. Several countries are already beginning to move in this direction, including the preparation of guidelines, regulations, and legislation pertaining to such things as landfills and their management. Other countries, such as Uganda and Ghana, for example, have received assistance from the World Bank to build properly sited, designed, and constructed landfills in their major cities (Johannessen and Boyer, 1999).

All of the empirical studies of private sector participation in solid waste management have demonstrated that the sector is much more efficient in this service delivery than municipal governments (Beede and Bloom, 1995). It is this efficiency, along with environmental concerns and the need to extend services to the poor that is propelling many municipalities in South Africa, for example, to move in this direction. The primary challenges of the public-private partnership approach are regarded by Dohrmann and Aiello (1999) as being (1) regulatory, (2) limited resources, (3) institutional, and (4) technical.

South Africa has developed an innovative solid waste management strategy, through the establishment of a Municipal Infrastructure Investment Unit (MIIU) to use donor and other funding in support of private sector involvement, along with other forms of municipal service partnerships, in municipal service provision. This approach needs to be replicated in other African countries and perhaps used as the mechanism to emulate the novel method in use in the City of Alexandria, Egypt to deal with its solid waste—turning it into organic fertilizer or compost. That takes care of the solid waste itself and in the process produces something useful for agriculture.

## Health Care

The most pressing environmental problems in Africa today, in terms of deaths and illness, are those associated with poor households. By targeting policies that help to reduce environmental threats that contribute both to ill health and poverty, it is possible to produce good health long before income growth could do so on its own (WRI et al., 1998). Improving access to health care services must therefore be also seen in the context of client affordability.

Although government spending on health as a percentage of GDP rose by 26 percent between 2000 and 2004, Africa continues to invest too few resources in health care services (World Bank and IMF, 2007). The most recent comparative data show that all African countries spend less than the equivalent of 5 percent of their GDP on health. At the same time, the historical data show that many of those countries have been spending more as proportion of their GDP on their military (World Bank, 2004; UNDP, 2006). Moreover, other social, economic, and political factors have been contributing to the weak state of health services on the continent. For example, political instability and economic considerations have acted as catalysts or push factors in the flight of many African health care professionals to the industrialized countries, undermining the public sector's capacity to respond to health needs as discussed in chapter 7. For example, between 1985 and 1990 alone, Africa lost 60,000 professionals and has been losing an average of 20,000 annually ever since (United Nations, 2000). A large number of these individuals are physicians and nurses.

The challenge now facing Africa is to recognize the importance of access to health care services as both a basic human right and a key factor in progress on social development. That means that the health care budget as a proportion of both the overall budget and GDP must be increased. In addition, the delivery of health care services must pay greater attention to meeting the needs of the poor by incorporating into public health programs prevention measures capable of reducing the environmental health risks faced by those poor and by providing basic health care as the primary strategy of "health for all" in the society.

Preventive measures include basic hygiene education; information, communication, and education campaigns on HIV/AIDS and other sexually transmitted infections (STIs) particularly targeting high-risk groups; and the monitoring of children's nutritional and growth status. Basic health care entails a cost-effective package of services designed to deal with the most common health problems in a decentralized manner both in terms of delivery and geographical and social distribution. That means removing the high concentration of health care activities in the cities and spreading them out on a district basis to more rural areas. The rural poor in particular need greater access to basic health care through clinics and other health posts.

The basic health care package should give priority to essential clinical services and should include prenatal and delivery care; family planning; vaccinations; treatment of malaria, tuberculosis, STIs, and actual bacterial infections; diagnostic and referral services for more serious health problems; and essential drugs. However, given the economic circumstances of most of the countries in Africa, to meet the foregoing obligations they would require assistance from beyond the public sector. Public-private initiatives would therefore have to be given greater prominence. In that regard, a number of such successful initiatives have emerged, particularly involving nongovernmental organizations (NGOs) and donor organizations. Uganda's success in controlling the spread of HIV/AIDS is linked, in part, to the country's partnership with several NGOs and international organizations as discussed in chapter 3.

## Land Use Management and Housing

Land is a basic but limited resource and a very important element in national development. In urban areas, land is also a very scarce commodity. Underlying virtually all urban environmental problems in Africa is the issue of land use and housing, from the lack of affordable housing, to overcrowding, to inner cities marred by abandoned buildings and informal settlements. Indeed, effective urban land management and housing policies are crucial for mitigating the impacts of urbanization on environmentally fragile land and other resources (Bartone et al., 1994; Hope and Lekorwe, 1999).

One of the fundamental problems giving rise to inappropriate land use, poor housing conditions, and the ensuing environmental problems in Africa is the lack of accurate and current information on land use and housing conditions. Such current and accurate information is required for planning and decision-making purposes and also for the evaluation of policies and programs. Most of the municipal governments in Africa lack established systems for generating the information needed to support land use management and housing policies. As a consequence, they have not been able to acquire a proper understanding of the nature of their land use and housing problem to allow them to make proper interventions. In many instances, the result has been the emergence of different types of problems such as inequitable land distribution and an increase in slum and squatter settlement populations and areas (Garba and Al-Mubaiyedh, 1999).

In African urban centers, addressing the problem of land use and housing for the poor needs to be focused on two key areas: (1) periodic assessment to generate information to support land use management; and (2) urban grading. Generating information to support land use management presupposes that African municipalities and governments want to improve, or even begin, their decision making with respect to the four basic issues of public land management intervention. These are ownership of land, use of land, marketing of land, and taxation of land. Urban upgrading, on the other hand, is primarily concerned with improving the health, environmental, social, and economic conditions in the community, with emphasis on the poor, and encouraging the residents to improve their own houses.

Following the approach of Garba and Al-Mubaiyedh (1999), the periodic land management assessment framework is comprised of four steps. The first is to undertake a preliminary scan of the given urban area to identify trends in land demand and land use and also to identify contextual influences on land management. The preliminary scan will also allow an evaluation of the state of land management. The second step is the assessment of the policy and strategy formulation framework. The aim at this stage is to assess the framework for the availability of appropriate and coordinated policy guidance for all aspects of land management, assess the availability of information to support policy and strategy formulation, and evaluate the responsiveness of the system to feedback. The third step is the assessment of the land management interorganizational system. The objective at this stage is to determine both the individual land management institutions and the interorganizational framework within which they operate. The final step of the assessment framework reviews the behaviors and practices of the land management institutions as they undertake the actual process of intervention and control. The aim here is to identify procedures, actions, and practices of the institutions in the enforcement of intervention and control measures, and to assess these on the basis of appropriateness, efficiency, and effectiveness in contributing to the achievement of community objectives (Garba and Al-Mubaiyedh, 1999).

With respect to urban upgrading, African municipalities and national governments need to concentrate on squatter/slum upgrading to improve the living conditions of the urban poor by providing basic infrastructure and service delivery, granting security of tenure, and bettering the environmental circumstances where the poor live. An important aspect of this element is the provision of housing for the poor through sites and services programs (Kessides, 1997). Understandably, the public sector in Africa is not in a position to mobilize, by itself, the financial resources required to deal with the problem of housing for the poor. Consequently, municipalities and national governments would need to create an enabling environment that encourages public-private cooperation to facilitate community-based, commercial, and self-help solutions as South Africa has been doing (Tomlinson, 2007). Housing finance considerations must be part of any national policy on housing for the poor.

## Coastal Zone Management

The coastal zone in general consists of the interface between land and sea where marine space and resources are just as important as terrestrial ones. Uncontrolled multiplication of activities in African coastal zones has led to environmental degradation and depletion of natural resources. To restore the sustainable development of these coastal zones requires the affected countries to pursue a plan of integrated coastal zone management (ICZM).

ICZM emphasizes the integration of systems, coordination of policies and institutions, management concerns, development objectives, and stakeholder interests across the different landscapes of the coastal zone. Its objective is to optimize the net benefit flows from coastal resources to individuals and society by reducing user conflicts, mitigating adverse development impacts, and enhancing the productivity of coastal ecosystems (World Bank, 1995). It offers considerable opportunities for public-private partnerships.

In that regard, some international NGOs have been actively involved in promoting their identification of marine and coastal systems as global conservation priorities. In Mozambique, for example, the World Wildlife Fund (WWF) in association with two South African NGOs (The Southern African Nature Foundation and the Endangered Wildlife Trust) have been involved in promoting sustainable resource use at the community level in the Bazaruto Archipelago, a system of prime coral atolls and sandy beaches with high levels of biodiversity and significant tourist potential (World Bank, 1995). Similarly, the International Union for the Conservation of Nature (IUCN) has been conducting marine conservation programs in such countries as Kenya, Tanzania, and Mozambique. The IUCN has also drafted mangrove utilization guidelines for the African Development Bank and is actively involved in coastal zone management projects in Southern Africa. With South Africa having taken the lead, a number of African countries are preparing comprehensive coastal management policies. In 1997, Eastern African countries also created a Secretariat for Eastern African Coastal Area Management (SEACAM) to intensify efforts at managing their coastal zones for sustainability.

## Environmental Conservation

African decision makers, assisted by national and international experts, are increasingly acknowledging that environmental degradation is a major factor constraining socioeconomic development in the Africa region and that reversing this trend is an essential ingredient in any poverty alleviation policy (World Bank, 1999b). Consequently, many African countries are beginning to take action to mainstream the environment in the context of both sustainable development and poverty reduction.

Most countries have opted to implement their strategies through National Environmental Action Plans (NEAPs) or equivalents. The overall objective of NEAPs is to elicit an environmental policy and investment strategy for a country. NEAPs or equivalents describe a country's environmental problems, identify their principal causes, and formulate policies and concrete actions to deal with them. A country's government is responsible for preparing and implementing these plans with the financial and technical support of NGOs and bilateral and multilateral donors (World Bank, 1996). NEAPs tend to form the basis through which bilateral and multilateral assistance are channeled. However, many countries that have completed NEAPs have been unable to implement them due to political and/or economic crises—Rwanda, Burundi, Democratic Republic of Congo, and Sierra Leone, for example. In other cases, the lack of political commitment has affected the effective implementation of NEAP policies and programs as is the case in Kenya, Tanzania, and Cameroon, for example.

One of the praiseworthy aspects of NEAPs is their recognition of the importance of decentralizing environmental management and their encouragement of the development of Local Environmental Action Plans (LEAPs) for rapid impact at the grassroots level through public-private partnerships. Many local authorities in Africa have prepared their own LEAPs usually with the assistance of a regional MELISSA (Managing Environment Locally in Sub-Saharan Africa) initiative. The MELISSA Program is cofinanced by the World Bank, the European Union, Sweden, and Norway. It was launched in 1996 with the goal of supporting and facilitating the improvement of the local environment through partnership development and knowledge management. It assisted local authorities and communities to prepare, implement, and monitor their own LEAP. Its principle of partnership development implies that the Program collaborates with national governments, academic and training institutions, nongovernmental and community-based organizations, international support organizations, and the private sector. Its three main themes were (1) local environmental governance; (2) integrated environmental management strategies; and (3) participatory environmental evaluation and monitoring.

Local governance, or the decentralization of government authority, is on the increase in many countries in Africa, both in the urban and rural sphere as discussed in chapter 5. The management of the environment has, accordingly, become a dual responsibility of both central and local governments. However, although African local authorities have the imperative to develop appropriate environmental frameworks to ensure environmental sustainability at the local level, their initiatives can only be sustained where there is the commitment and involvement of the various levels of government, the private sector, and civil society. The need for public-private partnerships is no longer suspect and questionable in Africa. However, for such partnerships to be successful over the long term, they must be based on local community demands and needs. Even more importantly, they must maintain a focus on the poor.

One approach that focuses on the poor, as well as community demands and needs, is community-based natural resource management (CBNRM) as practised in Southern Africa. CBNRM involves the management of land and natural resources such as pastures, forests, fish, wildlife, and water by groups of rural people through their local institutions. As such, it is seen and regarded as an established and evolving African practice through the empowerment of local communities. It facilitates environmental management and conservation in rural communities in Southern Africa by giving these communities ownership of the natural resources as an incentive, in turn, for them to manage and conserve these resources. This approach to conservation should be adopted throughout the African continent because it offers the poor the best opportunity to participate in the conservation of resources on which they also depend for survival.

## Employment Generation and Social Protection

The poor in Africa would benefit most from growth activities that allow them to work their way out of poverty. Economic growth is the most powerful weapon in the fight for higher living standards and a better quality of life including social protection. Growth creates and expands employment opportunities while providing the economic wherewithal for governments to provide social protection for the poor. In most African countries, those who are employed in the formal sector are usually covered, to varying degrees, with such social safety net elements as health insurance, life insurance, pension/gratuity, and unemployment insurance. The poor, on the other hand, tend to be confined to employment in the informal sector where there are no such social safety nets.

The poor themselves in Africa, and the rest of the developing world as well, have also confirmed that high on their priority list of means for moving out of poverty is access to employment and social protection. In a World Bank project on "Consultations with the Poor," the poor said that what they wanted was the dignity of work, with a stable and predictable income based on a living wage; fair treatment; a place to live; and not handouts (Narayan et al., 1999). However, the poverty status of the poor is also a function of their lack of educational attainments and this, in turn, confines them to seeking or creating employment in the informal sector.

Through the creation of employment, the poor will be able to work their way out of poverty and away from the environmental problems with which they are confronted because jobs lead to income, which in turn leads to economic independence, greater self-reliance, and improved standard of living choices. With respect to social protection, given that the majority of the poor work in the informal sector, they should be specifically targeted in social safety net schemes. African governments in partnership with NGOs should endeavor to establish social protection schemes through frameworks and modalities as discussed in chapter 2.

## Conclusion

Although poverty has been declining in Africa with economic performance improving, poverty remains a major challenge in Africa and for which policy formulation and implementation need to be ratcheted up. Similarly, the approach to arresting environmental degradation in Africa must be given a greater focus within the context of the poverty and environmental damage nexus.

This chapter has demonstrated that both local and national environmental concerns have immediate and directly attributable effects primarily on the poor. Dirty water causes disease and inadequate waste disposal makes people sick, for example. They affect not only human health, but people's livelihoods and survival also. The rural poor are most affected because of the substantial quantitative contribution that environmental resources make to their households for subsistence (Cavendish, 1999). Reversing this downward spiral must therefore be given greater prominence in African development policy in these early years of this twenty-first century as development performance continues to improve.

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# Chapter 2

# Local Small Enterprise Development and the Informal Economy

The informal economy (sometimes alternatively referred to as the subterranean, hidden, unobserved, underground, shadow, secondary, black, invisible, irregular, unofficial, transient, subsistence, or parallel economy) now constitutes an important component in the economic activities and process of development in African countries. Although some governments made efforts in the past to minimize its relative importance, the informal economy continues to thrive in Africa where, frequently, economic constraints and inefficiency interfere with the normal functioning of the organized or "formal" economy and therefore disrupt the availability and flow of goods, services, technology, and human resources in and out of those countries.

The informal economy originally emerged as small enterprise activities in response to the problems of survival associated with rapid urbanization and unemployment in most African countries. However, as this chapter makes clear, it is no longer a set of survival activities performed by people on the margins of society. It is, instead, a vibrant example of local small enterprise activities leading to its (the informal economy's) successful growth and development in Africa. It provides jobs, reduces unemployment and underemployment, bolsters entrepreneurial activity, increases incomes, and improves the livelihoods of the most vulnerable group in African society—the working poor. This chapter examines and analyzes the nature of the informal economy and its growth and socioeconomic impact in Africa.

## The Nature of the Informal Economy in Africa

The informal economy is defined here as consisting of those economic units and workers (both professionals and nonprofessionals) who engage in commercial activities outside of the realm of the "formally" established mechanisms for the conduct of such activities. Included in such activities are barters (exchanging of goods and/or services for other goods and or services); the importation of scarce consumer goods; the importation of production inputs and spare parts; the sale and exchange of hard currency for local currency at black market rates and vice versa; the sale and exchange of certain controlled goods and resources, such as gold, diamonds, and even arms, for hard currency or other goods and services; and unregistered or unincorporated small-scale productive and service activities. It is a process of income generation characterized by the single feature of being unregulated by the institutions of society in an environment in which comparable activities are regulated.

In 2003, the International Conference of Labour Statisticians (ICLS) adopted guidelines that incorporated the whole of informality. Consequently, employment in the informal economy now also includes informal employment outside the informal sector. The definition of informal employment was expanded and is now "understood to include all remunerative work—both self-employment and wage employment—that is not recognized, regulated, or protected by existing legal or regulatory frameworks and non-remunerative work undertaken in an income-producing enterprise" (ILO, 2002, 12). Informal employment now includes employers and employees in informal enterprises, own account workers in informal enterprises, unpaid family workers in informal and formal enterprises, members of informal producers' cooperatives (where these exist), and paid informal employees outside informal enterprises such as paid domestic workers, casual or day laborers, temporary or part-time workers, industrial outworkers, and unregistered or undeclared workers (ILO, 2002).

The activities of the informal economy do not show up in official statistics. However, such a sector is now widely recognized to have become relatively important, autonomous, and self-propelling in almost all African countries and, although its exact quantitative magnitude defies any precise estimation, the informal economy, by all accounts, operates so "openly" and on such a large scale that any development policy thrust will be senseless unless it (the informal economy) is recognized and figured into such policy actions. More particularly, the informal economy provides a working mechanism through which African governments can develop and implement pro-poor policies.

Originally, the activities of the informal economy were conducted primarily by self-employed and urban-based workers, most of whom were rural migrants with little or no formal education—who became known either as the working poor, traders, higglers, hawkers, or hucksters—and who were engaged primarily in marginal production, service activities, and the importation of scarce consumer goods which were in heavy demand in the urban areas of African countries. In their original form, the informal economy activities constituted a manner in which those individuals and households at the bottom of the socioeconomic system were able to command and accumulate resources. It provided for those without the requisite educational credentials to participate in the national economy and live an independent life. It also provided the wherewithal for those at the bottom of the economic ladder to exploit those above who were in a much more privileged position. It was noted by Karl (1999–2000, 53), for example, that the informal economy is:

> ruled by resourcefulness and imagination. Reflecting the energy of people at the base of the social pyramid, it provides almost the only possibility of escape, and is frequently a source of hope, for those who work in it, either because they have to or out of convenience, with the common objective of improving their living conditions or simply surviving.

More recently, however, both the activities and the personnel involved have changed considerably. The activities have expanded and the personnel now include the professional and managerial classes some of whom are even employed in government service or other formal economy activities on a full-time basis and they switch between the two (informal and formal) economies even during the same workday. As a matter of fact, the activities have now expanded to the point where even the formal economy, in some African countries, has to conduct business in the informal economy to acquire hard currency, vital medical supplies, basic goods and services, and spare parts, for example. Also, the formal economy now has no alternative but to subcontract, horizontally or vertically, some of its production and other activities to the informal economy to take advantage of the latter's efficient production techniques and access to inputs.

The evolution of the informal economy has taken place because of the failure of many African countries to formally make the kind of economic progress that would have allowed for, among other benefits, low urban unemployment rates, a sustained reduction in national poverty rates, wages and salaries that kept pace with inflation, the ready availability of basic goods and services, a functioning infrastructure, and a relatively honest and efficient bureaucracy. Also, in some African countries, government became such a suffocating force that the private sector went almost completely informal to escape it. The informal economy represents, therefore, the populace's spontaneous, yet creative and rational, response to the incapacity of their individual nation-state to provide the framework to satisfy their basic needs. In that regard, the citizens of many African countries have shown more daring, initiative, and dedication to their own individual nation-state than the politicians and their policy advisers who, until the advent of the New Partnership for Africa's Development (NEPAD) (see chapter 6), seemed unwilling and/or incapable of thinking through and implementing policy reform representative of the changing economic environment and the attitudes and desires of their population. A self-reliant and survival network has, consequently, emerged to fill the vacuum and thereby enhancing and entrenching the informal economy through local small-scale private enterprise. In Tanzania, for example, in the 1980s and early 1990s, people's involvement in informal economy activities served as a cushion against the hardships brought on first by economic crisis and later by austerity measures (Tripp, 1997).

For some time, it was basically accepted that the informal economy was somewhat of a transient phenomenon that would gradually disappear as the process of modernization took place and the formal economy thrived and absorbed more labor. However, such a notion was not only inconsistent with the facts and the emerging trends in most countries but was based essentially on the view (a negative one) that deemed such an economy as essentially dysfunctional. More recent analyses, however, including those contained in this work, provide evidence that the informal economy has not disappeared but, in fact, has grown substantially in most African countries. Viewed from an historical perspective, the informal economy today is substantially different to what it was two decades ago. It is no longer the sole domain of the urban poor. As mentioned before, it now includes the professional and managerial classes from the formal economy who, having seen the success of the urban poor, have unleashed their own entrepreneurial spirit to provide a better standard of living for themselves and their families.

Among the characteristics of the informal economy is the increasing rate of participation of women as an entrepreneurial group (Jordan, 1994). This, in turn, has further increased the trend toward higher rates of participation of women in the labor force of African countries. As employment in the informal economy has increased, women have entered the labor force in large numbers. In fact, this trend is often referred to as the feminization of the labor force (Chen et al., 2005). The currently available evidence indicates that women are overrepresented in the informal economy. The most recent data show that in sub-Saharan Africa, 84 percent of women nonagricultural workers are informally employed compared to 63 percent of male nonagricultural workers (ILO, 2002). In Benin, the corresponding estimates are 97 percent of women and 87 percent of men; in Chad it is 95 percent and 60 percent, respectively; in Guinea, it is 87 percent and 66 percent, respectively; in Kenya, it is 83 percent of women and 59 percent of men; and in South Africa the shares are 58 percent women and 44 percent of men (ILO, 2002).

Across gender lines, women also form the majority in nonagricultural informal employment with 60 percent of workers in Kenya and 53 percent in South Africa. Similarly, self-employment is more important as a source of employment among women workers (57 percent) than among men workers (40 percent) in sub-Saharan Africa. However, because there are many more men than women in the labor force, men comprise a larger share of self-employed nonagricultural workers than women in sub-Saharan Africa (59 percent versus 41 percent). Also, trade is the most important source of employment among self-employed women of sub-Saharan Africa representing 60 percent of nonagricultural self-employment (ILO, 2002).

Also of significance here in terms of the characteristics of the informal economy is the fact that the activities have shifted outward from the urban sector and have now become more national in scope encompassing almost all areas of economic activity. For example, the failure of the formal economy to continue to provide, maintain, and monitor a proper transportation network in African countries has led to the emergence of ad hoc, but vital, transport systems that link up poor rural neighborhoods with the capital city and other urban areas, usually in the form of music-filled minibuses. In Kenya, for example, these minibuses are called *matatus,* in Senegal, they are referred to as the *car rapides,* in Tanzania, they are known as *dala dalas,* and in Côte d'Ivoire, they are known as *gbakas.* In most African countries, the informal transport sector evolved as a process of privatization of the public transport system by default rather than by deliberate action. The public transport system became inefficient, unreliable, and did not meet the demand and needs of the rapidly urbanizing population nor the working poor who lived on the urban fringes. The public transport system was therefore replaced or, more accurately, undermined by a transport service that ran required routes at required times as dictated by market demand (Howe and Bryceson, 2000).

In Windhoek, Namibia, the transport sector comprised some 28 percent of service activities in the informal economy in the early 1990s (Norval and Namoya, 1992). In South Africa, the informal taxi industry was estimated to have created 300,00 jobs in just four years in the 1980s with a fleet value of such taxis on the road being equivalent to approximately US$1.2 billion (Norval and Namoya, 1992). In Kenya, the informal economy commanded a 51 percent market share of the transportation sector by 1989 (Banio, 1994), and 70 percent or 700,000 passengers per day by 2000 (Howe and Bryceson, 2000). In Dar es Salaam, Tanzania, there are as many as 7,500 vehicles operating in the informal economy (Howe and Bryceson, 2000).

Undoubtedly, and based on the available evidence, the privately owned and operated transportation networks substantially outperform their state-owned counterparts. For example, in cities such as Nairobi, Harare, Dar es Salaam, Yaounde, and Douala, private operators perform better than their state-owned counterparts in respect of such key performance indices as vehicle availability, passenger kilometers operated, staff productivity, profitability, and hours of operation (Banio, 1994). In Nairobi, for instance, the matatus easily outperform the Kenya Bus Services (KBS) "in every respect during all times of the day: waiting times, trip times, and travel times are substantially lower as a result of higher frequencies and trip speeds, while fares are substantially lower" (Howe and Bryceson, 2000, 63).

One final characteristic of informal economy activities in Africa is their physical location. Particularly in the urban areas, these activities tend to be conducted in makeshift markets or on sites or in buildings that are abandoned. Frequently, this entails the unauthorized use of vacant public or private land or buildings. In many instances, there is also the unauthorized construction of structures and buildings to facilitate small-scale production of goods and services or to market such goods and services. In those countries emerging from conflict (such as Liberia) or where municipal governments are weak, these types of situations are predominant.

## Benefits of the Informal Economy

The informal economy in African countries has created a new class of entrepreneurs who have been able to use sheer initiative to function in some national economies that have been plagued by some very serious economic problems. The growth of the informal economy has allowed for the ready availability of essential goods and services. These essential goods and services obtained in the informal economy represent, at one instance, the idea that the citizens of African countries must be free to choose and have the opportunity to obtain the basic goods and services they desire. In this respect, a thriving retail sector currently exists dominated in part by street vendors.

However, at another level, the success of the retailing business in the African informal economy serves to further demonstrate the inefficiency and policy vacuum that exists in the formal economy. In particular, it represents a major indictment of those enterprises that are responsible for the production and/or importation of such goods and services. Because of their own mechanisms that allow them to obtain foreign exchange and other inputs, the traders and vendors in the informal economy frequently find themselves in the position of having to provide essential items to consumers that the formal economy cannot provide efficiently. Of course, the vendors and traders find these activities to be very lucrative, to say the least.

Another major benefit derived through the informal economy is the employment it creates. Jobs are created cheaply and large numbers of individuals, who would otherwise be unemployed and a burden to society, are gainfully employed. Recent studies indicate that the share of the informal economy employment comprised one-half to three-quarters of nonagricultural employment in developing countries (ILO, 2002). In sub-Saharan Africa, the informal economy accommodated about 72 percent of the nonagricultural employment. If South Africa is excluded the share of informal employment in nonagricultural employment rises to 78 percent (ILO, 2002). In some countries, the proportion of workers absorbed by the informal economy exceeds 72 percent. In Chad it is 74 percent, in Benin it is 93 percent, in Burkina Faso it is 80 percent, in Ghana it is 90 percent, and in Mali it is 80 percent (ILO, 2002; Mofokeng, 2005). In many African countries, self-employment as a proportion of nonagricultural informal employment exceeds 90 percent. In Benin and Guinea, for example, it is 95 percent while in Chad it is 93 percent (ILO, 2002). By sector, the percentage distribution of nonagricultural self-employment in sub-Saharan Africa is 32 percent in industry; 49 percent in trade; and 19 percent in services (ILO, 2002). By the year 2020, it is estimated that 95 percent of African workers will be in the informal economy (World Bank, 1990; *The Economist*, 1990).

The creation of jobs in the informal economy is a conclusive demonstration that, given a free-enterprise environment, large numbers of individuals who are able and willing to work would be in a position to do so. What is taking place here are some of the inevitable results of the experience of a free-market situation that encourages risk-taking and enterprise regardless of class and despite the fact these local small-scale entrepreneurs face considerable barriers (Moss, 2007). Instead of resigning themselves to remaining poor and marginalized, these individuals made the decision to attempt to improve their lives by seeking a market solution through entrepreneurship.

Another benefit of the informal economy is its contribution to gross domestic and national product. The mere fact that the informal economy now permeates so much of economic life in African countries then one would expect it to contribute an increasing share to national income in those countries (Hope, 1997). However, there are, as yet, no reliable estimates of the contribution of the informal economy as a whole to gross domestic product (GDP). There are, though, estimates of the contribution of the informal sector to GDP and they do indicate the significance of the contribution of informal enterprises to nonagricultural GDP (ILO, 2002). Overall, the informal sector in African countries covers economic transactions of anywhere between 34 and 58 percent of domestic product. For sub-Saharan Africa it contributes 41 percent to GDP and in Northern Africa its contribution is 27 percent (ILO, 2002). There are also several studies that have made estimates for individual countries. For example, in Kenya it is estimated at 25 percent of GDP and in Togo, Niger, Ghana, Burundi, and Tanzania it is estimated at 55, 54, 58, 44, and 43 percent of GDP, respectively (ILO, 2002). By the year 2020, it is predicted that the informal economy in Africa will grow to a contribution to GDP that will exceed 60 percent (*The Economist,* 1990).

One more benefit of the informal economy is that it constitutes an important component in the micro-finance markets in many African countries. It is a dominant source of credit particularly in the rural sector in Africa where the institutional lenders are absent or ineffective and, the access to formal credit is extremely poor. The numerous types of moneylenders and credit suppliers in the informal economy include friends, relatives, landlords, commission agents, storekeepers, agricultural produce dealers, traders, and employers of agricultural labor. Of course, interest rates for such credit tend to vary with the economic interests and the nature of the relationship between the borrower and lender. For example, storekeepers may provide interest-free loans as an integral part of their business to retain or expand their share in retail trading in the market. Estimates of the percentage of total loans in the rural areas accounted for by the informal economy in Zambia, for example, for the period 1981–1982 were pegged at 43 percent (Mrak, 1989); in Niger in 1986 it was 84 percent of total loans (World Bank, 1989); and in The Gambia it was 80 percent for 1987–1988 (Zeller et al., 1994). Other studies have indicated that the activities of moneylenders in the informal economy increased in both the urban and rural areas during the 1990s in such countries as Ghana, Malawi, Nigeria, and Tanzania, for example (Aryeetey, 1995; Aryeetey et al., 1997). Nonetheless, the demand for microfinance services in Africa remains largely unmet (Smith and Thurman, 2007).

At the national level, the informal economy accounts for most of the financial services provided to small-scale producers and enterprises (World Bank, 1989). Informal deposit services are provided through group savings associations and temporary loans can be arranged. Perhaps the most popular form of informal finance is that of the rotating savings and credit association (ROSCA) where all members are both savers and borrowers. ROSCAs have different names in different countries. For example, it is called *susu* in Ghana and Liberia, in Ethiopia it is referred to as *iqqub* or *iddir,* in Egypt it is known as *gameya,* in Botswana it is *motshelo,* in Malawi it is *chiperegani* or *chilimba,* in Mozambique and Burundi it is *Upato,* in Kenya it is *Mabati,* in Madagascar it is known as *fokontany,* in Senegal and Cameroon it is *tontine,* in Zimbabwe it is *chilemba* or *stockfair,* and in South Africa it is referred to as *stokvel.*

In ROSCAs, members, ranging from six to forty, pool their money into a fund. The fund is held by a group leader, informally selected from among the members of the group, who is responsible for periodically collecting a fixed share from each member. The money collected is then given in a rotation as a lump-sum payment to each member of the group thus allowing some members to finance expenditures much sooner than if they had relied on their own other savings efforts (World Bank, 1989). The basic principle by which resources are shared is balanced reciprocity. Each ROSCA member draws out of the pool or fund as much as he or she puts into it. ROSCAs are said to have existed on the African continent since the mid-nineteenth century with an origin traceable to the Yoruba tribe (Bouman, 1995a), and they have now evolved from their use for financing consumption goods, school fees, and the like to become a major source of finance for small enterprises in both the urban and rural areas.

ROSCAs represent a very popular form of savings among the low- and middle-income groups in African countries. It has been estimated, for example, that approximately 78 percent of market women in Ghana's three principal cities saved in this manner (Aryeetey and

Steel, 1995). In Addis Ababa, Ethiopia more than half of the households are members of ROSCAs (Aredo, 1993). In a survey of seven regions in Tanzania, 45 percent of the households were found to rely heavily on informal credit to finance their basic needs, small business ventures, and other sources of livelihood (Hyuha et al., 1993). In the Cameroon, it was estimated that almost 80 percent of the adults participate in ROSCAs and that these ROSCAs handle about one-quarter of the total volume of money lent in the country as well as manage about one-half of total financial savings nationwide (Schrieder and Cuevas, 1992). In Zambia, it was determined that 80 to 90 percent of the urban population participate in ROSCAs (Mrak, 1989). In Togo, Liberia, Côte d'Ivoire, and Nigeria at least half the rural residents participate in ROSCAs (Bouman, 1995b).

Although ROSCAs are national in scope in African countries, in the rural areas they are widespread among all segments of the rural population, while in the urban areas they are more prevalent among the low- and middle-income groups. Funds collected and saved through ROSCAs in urban areas tend to remain there, while a good portion of the funds collected and saved through rural ROSCAs is transferred to urban areas. The reason for this, of course, is the fact that consumer durables are produced and sold in the urban areas, primarily. To acquire them would require expenditure in urban areas.

ROSCAs are widespread and popular in African countries for two basic reasons. First, is the very high responsiveness of ROSCAs to the economic and social requirements of their members. For example, limited number of participants; specific duration of the savings/credit cycle; the amount of individual participation; the order of rotation and receipt of funds; absolute freedom of joining; easily understandable rules and procedures; consistency of rules and procedures with sociocultural norms of the environment; very good accessibility, and so on. The second reason has to do with the very high economic efficiency of ROSCAs. Transaction costs are low or nonexistent since there are expenses neither for office space and personnel, nor for assessing creditworthiness; and repayment rates are high since there are usually no defaults due to strong cultural norms and social pressures and cohesion. ROSCAs not only facilitate savings but they also allow members to finance investment activities, goods, and services much earlier than through individual savings (de Aghion and Morduch, 2005). They represent a creative small-scale solution to the problem of access to credit for small-scale entrepreneurs and the poor.

## Some Disadvantages of the Informal Economy

One obvious disadvantage is derived from the fact that the success of the informal economy has reduced the pool of skilled labor force entrants in the formal economy who are required to administer and/or implement programs or deliver essential public or private services. Basically, what the job seekers are looking for is not work as such, but relatively well-paid work, as compared to average opportunities. Moreover, the freedom to be self-employed or to seek other economic opportunities in the informal economy, where the derived income and profits can be relatively higher and be hidden from taxation, is a rational economic decision. With the thriving of the informal economy, many employees, or potential employees, assess their wages and salaries not in terms of local purchasing power as dictated by the price index but in terms of the equivalent in U.S. currency, usually at the black market rate (Ramirez-Rojas, 1986; Nowak, 1985). In such conditions, the equivalent local income that can be derived in the formal economy seems like a paltry sum. Hence, there are now many jobs that remain available in the formal economy in many African countries (Hope, 1997).

What has ironically emerged is a new attitude of no longer wanting to be dependent on paralyzed African governments or other players in the formal economy. It embodies the entrepreneurial spirit emanating from individuals striving in admirable ways to become successful even without support, and away, from a formal economy that may still be in disarray in some of the countries.

Another disadvantage emanating from the existence of the informal economy is that it provides cover for tax evasion, drug trafficking, and smuggling. However, that state of affairs can only exist where tax administration and law enforcement are inept and/or influenced by corrupt actions. It is perhaps understandable that entrepreneurs in the informal economy would attempt to evade all the taxes they can, particularly given the consideration that in the formal sector such tax evasion would be more difficult. However, the problem with such tax evasion is that it reduces the national revenues and therefore reduces the government's ability to expend on national programs by a similar amount. This can lead to the possibility of additional tax burdens. Determination of the amount of evasion is very difficult in any country, and particularly in the African countries. It is often heard in many African countries that tax evasion is widespread and has reached alarming proportions. However, quantification of such evasion is almost impossible. Although the forms of evasion vary widely among countries, the major methods used for evading taxes in the informal economy include failure to report all sales, under-invoicing, overstating nontaxable sales, and the non-declaration of commissions retained overseas.

With respect to smuggling, beginning from the days of the first customs duties, smuggling in a great variety of forms has been the primary form of escape. There are a number of factors that may encourage smuggling in African countries. These include (1) vast stretches of almost unguarded borders and very lengthy coastlines that make a complete patrol impossible. In this regard, a good example would be the Ghana-Togo border; (2) the general desire to evade taxes; (3) a desire to get contraband goods into countries where there is a heavy demand and rich dividend for such goods; and (4) the nearby availability of cheap supplies, particularly in countries that are just off the coastlines. Smuggling involving the inflow of goods can expose domestic enterprises (including the small-scale enterprises) to unfair competition.

Bribery is also a problem associated with the informal economy and it stems from the now endemic bureaucratic corruption in many African countries. Bribery is a major cost of functioning in the informal economy. Informal economy businesses have to devote a large part of their income to bribing the authorities. Such bribery has the potential of raising the cost of goods and services. However, the payment of bribes also represents the purchasing of security from prosecution on the one hand, and a sanctioning of the activities conducted in the informal economy, on the other.

One disadvantage of the informal economy, which can only be corrected through better economic governance, is its contribution to the inflationary spiral in some African countries. Consumer prices have been increasing at a rapid rate in these countries partly in response to exchange rate fluctuations and partly as a result of demand for goods and services that exceeds the available supply. A demand, it must be pointed out, that has arisen in the informal economy due to the diminished capacity of some countries to provide and maintain the environment for the supply of the expected levels of services, goods, and physical infrastructure. A good example here is Zimbabwe where bad governance has led to a surging inflation rate of over 3,700 percent by mid-2007 (*The Economist,* 2007). Nonetheless, being creative and unleashing the entrepreneurial spirit, particularly in such environments, is vital to improving the lives of those in poverty.

## Concluding Assessment

Lessons of experience have shown that the informal economy in Africa is here to stay. Informal economy activities are expanding in both scenarios of occurrence of a contracting formal economy and an expanding formal economy. Where the formal economy contracts more individuals are forced into the informal economy to earn a living, while where the formal economy expands, it generates additional demand for goods and services produced in the informal economy and thereby increasing employment in informal economy activities. The informal economy in Africa has therefore emerged to the point where it is directly responsible for the improvement in the standard of living of large numbers of people and, despite some of its shortcomings, contributes significantly to the bettering of life in general in African countries. Given this generally positive contribution, then the informal economy must be regarded and treated as part of the solution to the current development problems still confronting some of the African nations.

The informal economy has exhibited a vibrancy and a resilience that must be enhanced. This sector is an expression of bottom-up initiative which development practitioners now agree is a *sine qua non* for the success of micro-projects. It should therefore become a matter of national economic policy to acknowledge the informal economy so that its contribution to the national economy can be even further improved. The remaining barriers to the functioning of the informal economy must be eliminated. However, this has to be accomplished within a framework that allows for the conduct of business and other activities in a legal manner and thereby minimize or eliminate altogether the possibility that the informal economy ends up with the reputation as also being a haven for drug traffickers, smugglers, and tax evaders. What is needed then, is a concerted attempt to accept and legalize the informal economy without it being absorbed into the bureaucratic and regulatory nightmare of the formal economy which consists of but is not limited to such characteristics as barriers to entry, labor market regulations, controls on marketing and distribution, fiscal regulations, and credit regulations.

Indeed, there is a growing move toward greater flexibility in regulation encompassing the encouragement of local entrepreneurship and private sector activities. Moreover, it is more and more being accepted that the informal economy is both competitive with and complementary to the level of activity of the formal economy. Indeed, there is an increasingly widespread belief in some circles that well-targeted programs of support to the informal economy can be far more cost-effective in terms of employment promotion, poverty alleviation, and output than certain large-scale programs of investment in and support to the formal economy (ILO, 1991).

Among the barriers to the proper functioning of the informal economy is inadequate access to credit. This is so despite the success of ROSCAs and other types of informal economy finance. This, therefore, means that access to credit must be equalized. It has been found that loans to small-scale borrowers are not necessarily more risky. In fact, there is no inverse correlation between the size of a loan and the degree of risk, and the proportion of bad and doubtful debts is not higher among small bank customers (Hope, 1987). Moreover, the United States Agency for International Development (USAID) has found that minimalist direct assistance programs that aim to improve the performance of micro-enterprises by providing short-term credit without attempting to transform the micro-enterprises into more complex businesses have a better record of success to date than do more ambitious programs (USAID, 1989).

The ability to borrow money to legitimately engage in small-scale business activity must therefore be facilitated by the banks and other credit granting agencies. Creating a more flexible set of rules and regulations under which credit can be granted would be a necessary first step in that direction. Providing access to credit further encourages private investment. Given the dismal performance of public enterprises in most African countries, then such private sector initiatives must be soundly supported. As observed by Smith and Thurman (2007, 70):

> When a microbusiness succeeds or is strengthened, the entrepreneur and his or her family reap the benefits of immediate, usually sustained and often permanent, income increase. The children grow up healthier and better educated. The family's subsequent generations may be spared the poverty into which this generation was born. The entrepreneur who is making more money in turn spends more money for local goods and services, which upgrades the local economy and creates more jobs. The ripple effect becomes exponential through generations.

Given the failure and negative impact of subsidized formal finance and the success of group lending, there are some important lessons here for the financial institutions in the formal economy. Subsidized credit has become a transfer program for the non-poor while the artificially low interest rates and credit regulations have lent themselves to further patronage and corruption. Clearly, credit programs with low transaction costs, market rates, some linkage between repayment and future lending, and more physical accessibility for borrowers from the informal economy should be the desired approach in improving the availability of credit. Additionally, borrowers must face an incentive structure that induces them to repay their loans.

In general, it is good economic reasoning and makes perfect economic sense to recognize the informal economy in national economic policy-making in the African countries. As demonstrated here, the informal economy has made a major difference between the ability to subsist and abject poverty for large numbers of people in those nations. It has encouraged risk-taking and enterprise regardless of class. Consequently, the informal economy needs to be unleashed and the entrepreneurial spirit further nurtured to contribute to the development process. Undoubtedly, the informal economy is now a much more efficient system in making goods and services available, in most African countries, than is the formal economy.

To promote the informal economy, it is desirable for governments to consider removing more of the disincentives to entrepreneurship. Indeed, this is already beginning to occur as countries reform their business regulation to improve their investment climate. In Africa, for example, it was found that local small-scale entrepreneurship increased as the general economic environment became more open (Elkan, 1988). The current global economic environment dictates that business as usual is no longer a viable option and that alternatives to the current approach to economic organization must be implemented. The informal economy is one such alternative (Castells and Portes, 1989). The livelihood of millions of Africans depends on its existence, and therefore the future of many African countries depends on its continued evolution and the role assigned to it in the development process.

Within that scenario, and given the increasing importance of women in the informal economy and in the development process generally, then the policy framework must also include programs aimed specifically at assisting women. Female entrepreneurship is now an ongoing reality in African nations and, consequently, all of the discriminatory practices against them based simply on gender must be terminated. Gender inequality in African countries persists although there have been some improvements in some societies. In many societies, however, women remain invisible in statistics because little value is attached to what they do. For example, although rural women are the majority of agricultural workers in many countries they receive very little credit. In some African countries, they account for more than 60 percent of the agricultural labor force and contribute up to 80 percent of total food production but they receive less than 10 percent of the credit to small farmers and 1 percent of the total credit to agriculture (Hope, 1997). In Gambia, it was found that, although women entrepreneurs were successfully engaging in livelihoods diversification and contributing significantly to their households through their entrepreneurial activities, all decisions were made for them by their menfolk (Della-Giusta and Phillips, 2006). Women in African countries must be allowed to participate fully in the development process with all of the rights and abilities now available to men.

One significant attempt to empower women, and also assist with creating social safety nets in Africa, is modeled on the Self-Employed Women's Association (SEWA) in India. This model has been adopted in South Africa as the Self-Employed Women's Union (SEWU). Like the SEWA, the SEWU is a trade union of women who work in the informal economy. The SEWA was established in 1972 as the first trade union of informal workers—men or women—anywhere in the world. It also provides various services to its members including health care, child care, insurance, and training. There is also an SEWA Bank with some 200,000 depositors (Chen et al., 2005). The SEWU was launched in 1994 and has more than 4,000 members (Xaba et al., 2002). The SEWU is organized on the principles of direct democracy, and the focus is on the empowerment of the membership. The SEWU assists its members to develop skills in leadership, negotiation, and lobbying so that they can address the relevant institutions and people directly with their concerns. The SEWU also provides advice and assistance with problems such as lack of child care, health issues, social security, maternity benefits, and disability benefits. In other countries, such as Ghana, Uganda, and Zambia, for example, other trade unions have also taken some initiatives to organize workers in the informal economy.

Also, a great deal more research needs to be undertaken on the informal economy so that much more can be understood on its internal dynamics and a reliable database developed for facilitating optimal decision making. Moreover, the donor agencies need to extend their support, for promoting the development role of the informal economy, to all developing regions, particularly sub-Saharan Africa, where the informal economy is expanding rapidly, and where the role of aid agencies in the economic reform process looms large. In particular, the donor agencies should follow the lead of USAID and increase their contributions to programs of direct assistance to the informal economy in Africa. Many of the informal economy enterprises have benefited immensely from an array of technical assistance projects which have ranged from basic advice on business management, some technology transfer, and training (Hope, 1993a, 1993b). There have also been some small amounts of funding channeled successfully to informal economy producers by the ILO/Swiss Cooperation programme in Mali, Rwanda, and Togo, for example. There is also scope for technical cooperation among developing countries in an enabling environment. Through the use of local experts and others who are familiar with the problems of the informal economy through hands-on experience, including informal economy workers themselves, the cost of technical assistance can be considerably reduced and with an impact much greater in magnitude than through reliance solely on expensive expatriate experts.

Finally, the informal economy in Africa continues to thrive in spite of the hostile environment in which it must operate in some countries. Nevertheless, there are encouraging signs of recent movement toward the further development and implementation of policies in support of the informal economy. Governments in many African countries are becoming increasingly interested in the informal economy because of the large number of people that it supports and donor agencies are showing a willingness to do more to support it. In the absence of unemployment benefits and other forms of government support, better the informal economy than revolution, so the informal economy is either now completely tolerated or subject to infrequent and short-lived attempts to get rid of it (Thomas, 2000).

Undoubtedly, the informal economy will play a major role in the development process in African countries in the immediate future and beyond. However, the magnitude of its contributions will be determined by the extent to which the regulatory framework is diminished. In any case, however, the evolution of the informal economy in African nations has provided valuable lessons to those countries that are desperately trying to manage transitions to democratic pluralist and market economic systems. Those involved in informal economy activities in African countries have shown themselves to be among the most innovative entrepreneurial groups in their societies and this indicates that if they are allowed to function in a non-hostile environment they would make a much greater contribution not only to their own economic and social progress but to that of their respective countries as well. "Facilitating entrepreneurship is a sound strategy—and arguably the best strategy—for accelerating economic growth" (Baumol et al., 2007, 149). This approach has proven to be extremely successful in sustaining growth and lowering poverty in Asia and therefore represents good lessons of experience for African countries to learn from and implement.

This type of entrepreneurship is now promoted as bottom-of-the-pyramid (BOP) innovations indicating the grassroots and lower income levels from which it tends to be driven.

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# Chapter 3

# AIDS and Development

However assessed or measured, the Acquired Immune Deficiency Syndrome (AIDS), which is caused by the Human Immunodeficiency Virus (HIV), continues to have serious development consequences for Africa with ricocheting consequences on the international community. Despite recent declines in prevalence rates in some countries, the disease has been undermining macroeconomic growth, foreign investment, human capital development, and governance in the region. Sub-Saharan Africa is the home to 24.7 million people who are living with HIV/AIDS. As of the end of 2006, this represented almost two-thirds (63 percent) of the world's HIV-infected population. More than one-half (59 percent) of those African adults who are HIV-positive are women and more than 2 million Africans died (72 percent of global deaths due to AIDS) from the disease in 2006 (UNAIDS and WHO, 2006). Women are infected more often and earlier in their lives than men. Young women aged 15–24 are between two and six times as likely to be HIV-positive than men of similar age (UNAIDS, 2006). Southern Africa remains the epicenter of the global HIV epidemic with 32 percent of people with the disease globally living in this sub-region and 34 percent of AIDS deaths globally occurring there (UNAIDS, 2006).

At the outset of the HIV/AIDS epidemic in Africa, and the rest of the developing world for that matter, it was characterized by policy makers and the general public as a medical or health problem. However, development analysts, development practitioners, and policy makers are now fully aware of the multi-sectoral impact of the disease and its implications for the development process in Africa and the rest of the developing world. In particular, it is now argued that the different socioeconomic development realities of different countries appear to be highly relevant to understanding the spread of HIV (Collins and Rau, 2000). Consequently, HIV/AIDS has come to be regarded as a major threat to future development in Africa. It kills adults in the prime of their working lives, decimates the workforce, fractures and impoverishes families, orphans millions, and shreds the fabric of communities.

Africa continues to face a triple development challenge that encompasses bringing health care, support, and solidarity to a significant population of people with HIV-related illness; reducing the annual toll of new infections by enabling individuals to protect themselves and others; and coping with the cumulative impact of millions of AIDS deaths on orphans and other survivors, on communities, and on national development (UNAIDS and WHO, 2000). This chapter discusses and analyzes the African HIV/AIDS situation from a development context with particular emphasis on the socioeconomic realities driving the epidemic; the development consequences stemming therefrom; and what is being done, and by whom, with respect to policy responses.

## What Is Driving the Epidemic

In Africa, HIV/AIDS is spread primarily through heterosexual and perinatal transmission with heterosexual activity being the dominant mode of transmission. There is a considerable interplay of factors driving this sexual transmission in Africa. They are divided into three groups as discussed below. However, the evidence is quite mixed with respect to the magnitude to which each group of factors contributes to the epidemic.

### Biological Factors

In Africa, there are also high rates of curable sexually transmitted infections (STIs) which, in turn, fuel the HIV/AIDS epidemic. There is now growing recognition of the public health implications of curable STIs (especially those causing genital ulcers) by virtue of their frequency of occurrence as well as their ability, when present, to facilitate the transmission of HIV. One study suggests that the presence of an untreated STI can enhance both the acquisition and transmission of the HIV by a factor of up to ten (UNAIDS, 1998). Clearly then, curable STIs play a significant role in the facilitation of the transmission of HIV in Africa.

Another biological factor that has emerged in the recent literature as having some influence on the spread and transmission of the HIV is the low rate of male circumcision found in some African countries. However, it should be pointed out here that there is a much higher proportion of both males and females that are circumcised in Africa than in any other continent (Caldwell et al., 2000). Nonetheless, in the main AIDS belt in Africa (East and Southern Africa), there is a strong association between the high incidence of the disease and the lack of male circumcision. In these geographic locations, entire ethnic groups do not practice male circumcision and the epidemiological analysis strongly suggests that the "lack of circumcision either directly facilitates HIV transmission and/or facilitates it by rendering chancroid and other GUD [genital ulcerating disease] infections more likely" (Caldwell, 1995, 300).

Indeed, a review of more than twenty-five published studies on the association between HIV and male circumcision in Africa found that, on average, circumcised men were half as likely to be infected with HIV as uncircumcised men. Moreover, a comparison of African men with similar socio-demographic, behavioral, and other factors found that circumcised men were nearly 60 percent less likely than uncircumcised men to be infected with HIV (UNAIDS, 2000). More recent randomized controlled trials in Kenya, Uganda, and South Africa have all shown that male circumcision significantly reduces a man's risk of acquiring HIV. These trials have shown that there is a 51 to 60 percent reduction in risk in the sexual transmission of HIV from women to men (WHO and UNAIDS, 2007).

The final biological factor to be considered here pertains to the physiological vulnerability of women. Research shows that the risk of becoming infected with HIV during unprotected vaginal intercourse is as much as two to four times higher for women of all ages than men. Women are also much more vulnerable to other STIs. In sub-Saharan Africa, there are currently fourteen adult women with HIV for every ten adult men and more than three-quarters of the global total of HIV-infected women are African. In the younger age brackets (15–24 years), the HIV risk for African girls is even more disproportionate as young women outnumber their male peers by a ratio of 2 to 1 in those countries where young people account for 60 percent of all new infections (UNAIDS, 1997, 2000; UNAIDS and WHO, 2006).

In comparison to men, women are biologically more vulnerable to HIV infection due to the fact that they have a bigger surface area of mucosa exposed to their partner's sexual secretions during sexual intercourse and semen infected with HIV typically contains a higher concentration of virus than a woman's sexual secretions. All of this makes the male-to-female transmission much more efficient than the female-to-male transmission (UNAIDS, 1997). In addition, the younger a woman is, the greater is her biological risk since her physiologically immature cervix and sparse vaginal secretions pose less of a barrier to HIV (UNAIDS, 1997).

### Social and Behavioral Factors

A number of social and behavioral factors are regarded as either having, or have been demonstrated to have, a major impact on the transmission of the HIV/AIDS in Africa. These factors tend to be derived from traditions and practices and the key ones are discussed below.

In most African countries, many people either do not, or cannot, limit their sexual activities to a single, infection-free lifetime partner (Schoepf, 1993). Indeed, there exists a rather significant literature with empirical evidence on polygynous relationships and multi-partner sexual relations and their implications for the spread of HIV/AIDS (Hope, 1995, 1999; World Bank, 1997; Orubuloye et al., 1993; UNAIDS, 2000). The high levels of polygyny and the system it engenders has serious implications for the spread of the AIDS epidemic since entire families may find themselves victims of the disease through polygynous association. In part, because farming and economic wherewithal depended solely on the size of the workforce, sub-Saharan Africa is characterized by very high levels of polygyny.

Across the continent, some 30–50 percent of married women are currently in polygynous marriages. This state of affairs means that, for these women, the greatest danger of infection confronting them comes from their spouses, and it is most likely that the majority of female AIDS victims have been infected by their husbands (Caldwell et al., 1993). At the same time, however, there is evidence from some African communities that since the husband could only serve one wife at a time, polygyny does not provide co-wives with adequate sexual pleasure, leaving the others neglected and tempted to seek alternative lovers. On the other hand, some young women might accept polygynous marriages to be able to acquire some degree of economic status, while at the same time maintaining their previous sexual relationships (Mbilinyi and Kaihula, 2000). In all of the foregoing scenarios, polygynous marriages endanger the lives of those associated with it.

Apart from polygynous relationships, multi-partner sexual relations are also prevalent in Africa through sexual networking. Sexual networking is characterized by the prevalence of multiple (overlapping or concurrent) sexual partnerships. In particular, men's sexual networks seem to be quite extensive and appear to be accepted, at least tacitly, by the society at large. In many African countries, there is a general feeling that men may legitimately have multiple relationships, irrespective of their marital status, but women may not. This attitude is justified on the basis of culture. A study conducted in Nigeria, for example, found that the need for men to have sexual variation, and the assumed polygynous nature of man, were the two main reasons that men cannot be satisfied with one woman. It is generally believed that men are biologically different from women in their need for sex and, as such, should have unlimited sexual freedom while a woman is expected to have only one partner (Orubuloye et al., 1997).

Similar findings and their implications for the spread of AIDS have also been reported elsewhere (Hope, 1999, 2001; UNAIDS, 2000; Baylies and Bujra, 2000). Consequently, these high and repeated levels of infidelity render women more likely than men to be put at risk of HIV by their partner's sexual encounters. The consequences for a woman who remains faithful to an unfaithful partner can therefore be devastating. She not only finds herself at risk but also risks infecting her future children.

Another example of a social and behavioral factor driving the epidemic in Africa relates to condom use. Although the frequency of condom use is rising in Africa (World Bank, 2007), there is still some resistance to its use based on misconceptions about its safety and the perceived diminution of sexual sensation resulting from such use. In addition, many African commercial sex workers use condoms inconsistently with their clients for reasons having to do with objections by some of those clients; financial incentives for unprotected sex; physical abuse by clients; lack of immediate access to a stock of condoms; a perceived low self-risk to HIV infection; and the clean and trustworthy appearance of clients.

Some of the research on condom use in a major urban area in South Africa, for example, showed that only 43 percent of the commercial sex workers always use condoms with clients (Varga, 2000). That same research indicated that the youth avoided condoms for the stated reasons of physical discomfort stemming from their use; social and interpersonal stigma associated with the practice; beliefs that condoms are not completely safe or effective; ignorance or lack of information concerning condom use; and the need for "flesh to flesh" contact—unprotected sex—for enhanced physical pleasure primarily for male partners (Varga, 2000).

Other studies have also demonstrated some of the sociocultural factors influencing condom use in Africa. They point to a condom dilemma stemming from cultural barriers to condom use. Those cultural barriers include the requirement for bonding through natural sexual contact; the respect and value given to fertility and polygny; and the need for men to initiate and control the sex act with their partners (Preston-Whyte, 1999; Schoepf, 1992; Taylor, 1990). When misconceptions—such as those reported about Central Kenya that a significant proportion of young people thought HIV might be able to pass through a condom and condoms could get stuck inside a woman's body (UNAIDS, 2000), for example—are added to these cultural barriers, Africans are confronted with a considerable risk of exposure to the transmission of the HIV virus.

Yet another crucial social and behavioral factor driving the HIV/AIDS epidemic in Africa is that of age-mixing. Age-mixing typically occurs between older men and young women and puts the latter at greater risk of HIV infection. UNAIDS (2000) has reported that young African women and girls are having sex at much earlier ages than was previously the case. In parts of Tanzania, Zambia, and South Africa, for example, children and adolescents, ranging from 10 to 60 percent of the sample, indicated that by age 10 they had already had sex. Many of these are young females who reported both having had sex early in life and maintaining a relationship with a man at least 10 years older than themselves.

The reasons for this state of affairs are many. In particular, however, older men are seeking out younger women and girls in the belief that such partners are less likely to be infected with the HIV. At the same time, some young girls and women are seeking out older men who can provide them with the economic means to take care of some of their needs in exchange for sex. However, older men tend to have been sexually active for many years and may also have other partners who may be in the high-risk category. In such a scenario, the consequences for young women and girls can be quite catastrophic.

Two other related social and behavioral factors driving the epidemic in Africa are "spouse inheritance" and "sexual cleansing." Practiced in some parts of Africa, spouse inheritance is a custom that demands that a surviving spouse be inherited by a member of the deceased spouse's family. When a man dies, for example, one of his brothers marries the widow. The justification for this practice is that the new husband, being a relative of the deceased, would look after the widow and the children and safeguard the property of the deceased for his children. Similarly, when a wife dies, the husband is given the wife's younger sister as a new wife (Hope, 1999). In both situations of this new union, if either partner is HIV positive, then they are likely to infect the other and thereby increase the spread of the AIDS epidemic.

With respect to "sexual cleansing," in this ritual practice a surviving spouse is required to have sexual intercourse with a chosen member of the family of the deceased. In the case of a deceased man, the relative is usually a nephew (on the maternal side), a grandson, a brother, or a grandfather figure. In the case of a deceased woman, they would choose a niece (brother's daughter), a granddaughter, or grandmother by relationship such as the sister of a grandmother. Sexual cleansing is regarded in some areas as an important tradition and an effective way for freeing the surviving spouse of the ghost of the deceased. It is believed that the spirit of the deceased lingers on and the widow or widower would therefore not be set free to get on with their life until this ritual is over. For a widow, the duration period required for freedom depends on how good or bad, in the eyes of the in-laws, she has been while her husband was alive. Undoubtedly, this practice of sexual cleansing also has the potential to further spread the AIDS epidemic.

## Economic Factors

Among the economic factors driving the HIV/AIDS epidemic in Africa is that of poverty. Africa remains the poorest region in the world despite recent improvements in poverty indicators (see chapter 1). Low levels of education, crowded and unsanitary living conditions, malnutrition, limited access to basic services, high rates of unemployment, and rapid urbanization are some of the poverty phenomena that are increasingly associated with HIV/AIDS to the extent that they increase the likelihood of infection (Hope, 1999).

A poverty status can lead to vulnerabilities, such as a lack of access to health services, and risky behavior, such as commercial sex activities. These, in turn, increase the risk of the poor becoming infected with HIV and/or increase the probability of transmitting HIV to an uninfected person. However, it should be pointed out here also that HIV/AIDS in Africa is clearly not a disease of the poor only. At this stage of the epidemic, HIV/AIDS still cuts across economic boundaries. "Many groups and individuals at increased risk of being infected with HIV in Africa (urban elite who purchase sex, traveling businessmen who have casual sex, officers in the armed forces [for example]) are not among the poor" (UNAIDS and World Bank, 2001, 41).

Nonetheless, poverty constitutes a primary risk environment for HIV infection. It has been argued, for example, that "all of the biological factors predisposing girls and women to increased risk of infection—from chronic anemias to genital mutilation and early first coitus—are aggravated by poverty" (Simmons et al., 1996, 53). Without a doubt, poverty, gender, and HIV/AIDS are inextricably intertwined. Women are economically poorer than men in Africa because tradition gives them less decision-making power and less control over assets than men. Vulnerability can therefore be seen as a function of assets. The more assets people have, the less vulnerable they are to poverty (Blackden and Bhanu, 1999) and that, in turn, leads to less of a vulnerability to engage in risky behavior which exposes them to HIV infection.

Another economic factor driving the HIV/AIDS epidemic in Africa is that of population mobility. Today, there is increasing recognition that migrants and other mobile people may be more vulnerable to HIV/AIDS than are populations that do not move. In particular, mobile workers may acquire HIV while on the move and take the infection back with them when they return home, often without even knowing it (UNAIDS, 2001). Mobile workers are defined as those workers who work far away from their permanent places of residence and are usually unable to return home at the end of the workday. They, therefore, have temporary residences in the vicinity of their work sites and return home at various intervals. Such workers include, for example, truck drivers, road/dam/building construction workers, itinerant traders, soldiers, wildlife officers, seafarers, agricultural workers, miners, and commercial sex workers. For these workers, being mobile in and of itself is not a risk factor for HIV/AIDS. Rather, it is the situations encountered and the behaviors possibly engaged in during mobility that lead to, and increase vulnerability as well as the risk pertaining to HIV/AIDS (UNAIDS, 2001).

Both mobile workers and migrants are exposed to unique pressures and living environments. They are predominantly male and they tend to live as single men in the area of their place of work and often have sexual relations with both the local women and others (including commercial sex workers), from outside the area, who travel to these work sites to provide sexual services to them. In some instances, as was shown for Botswana, some men have also set up "parallel families" in the areas where they work, living with women they regard as their wives and may even have children with them (Hope and Gaborone, 1999). As a result, and as shown for Malawi also, these mobile workers tend to have several sex partners and, such intrinsic relationships between, on the one hand, mobility and multi-partner sex and, on the other, mobility and economic wherewithal, facilitate the spread of HIV/AIDS (Chirwa, 1997).

Basically, mobile workers and migrants engage in repeated circulatory migration and their contribution to the spread of the AIDS epidemic has been made possible by a high level of sexual activity caused partly by the lack of sexually accessible wives or regular partners, their freedom from the social norms they observe in their permanent places of residence, and their loneliness resulting in susceptibility to peer pressure (UNAIDS, 2001). They may therefore, become infected with HIV and spread it when they return to their partners and communities.

Finally, there are the economic transactions emanating from commercial sex work. Commercial sex workers are at great risk of being infected and spreading the infection because of the large number of their sexual partners and their frequent practice of unprotected sex as previously discussed. In many African cities, and especially among the poorer commercial sex workers (who tend to have more clients), infection has become nearly universal. For example, various studies over the past ten years have recoded HIV infection among female sex workers at levels as high as 50 percent in Ghana and South Africa, 73 percent in Ethiopia, 68 percent in Zambia, 86 percent in Zimbabwe, 40 percent in Benin, 31 percent in Côte d'Ivoire, 27 percent in Djibouti and Kenya, and 23 percent in Mali (UNAIDS, 2000, 2006).

## Assessing the Development Impact

The discussion on the assessment of the development impact that follows below is predicated on the fact that there is currently no cure for HIV/AIDS and none is foreseen for the immediate future. However, there are signs that access for life-prolonging therapies is increasing. Consequently, the number of surviving HIV-positive Africans can be expected to stabilize and then shrink as AIDS increasingly claims the lives of those infected long ago (UNAIDS and WHO, 2000). Moreover, as previously indicated, HIV infection rates have been declining in some countries. However, the problem confronting Africa, in the development context related to HIV/AIDS, is that the region is still the least equipped of all to deal with the multiplicity of challenges posed by this deadly disease (Poku, 2000).

### Demographic Impact

Studies that have been done on comparisons of estimates and projections with and without HIV/AIDS show that the disease has already had, and is likely to have, a major effect on the population dynamics of the African countries well into the second half of the twenty-first century (UNAIDS, 2006) Current analyses suggest that by 2015, the total population will be 115 million less than it would be in the absence of AIDS in the sixty countries most affected by AIDS. By 2050, Africa is projected to account for 75 percent of this difference (UNAIDS, 2006).

There are similar dramatic effects on life expectancy. HIV/AIDS has eroded much of "the steady progress towards improved life expectancy that was being made until the advent of the epidemic" (UNAIDS, 2006, 83). Life expectancy had already been reduced in the 1990s by about 7 years due to AIDS and has declined further since then. The most severe impact has been among adults aged 20–49. This has reversed the previous distribution of deaths according to age. Previously this age group had accounted for only 20 percent of all deaths during the period 1985–1990; they now account for almost 60 percent (UNAIDS, 2006). As might be expected, those countries with some of the highest HIV infection rates have the lowest and declining life expectancy. In Swaziland, for example, life expectancy is projected to decline from 44 years in 2000–2005 to 40 years in 2005–2010, for South Africa the decline would be from 53 years in 2000–2005 to 49 years in 2005–2010, while for Lesotho the estimate is from 45 years in 2000–2005 to 43 years in 2005–2010 (UNFPA, 2007; United Nations, 2007).

## Social Impact

The negative demographic consequences of AIDS in Africa have also resulted in significant social costs for the continent. Perhaps the primary social costs are those associated with households and communities. Indeed, the available information suggests that households bear the brunt of the misery caused by the epidemic (UNAIDS and WHO, 2000). Dependency ratios (the number of children and elderly persons dependent on working adults) that are AIDS-related, for example, have tended to increase with time as a consequence of the increasing burden of caring for AIDS cases as the epidemic continues to unfold. However, the impact of AIDS on the dependency ratio within a given population will also be determined by the epidemiological patterns present in that particular community, such as the fertility rate and the presence of high risk groups.

Orphanhood due to AIDS has also become a formidable problem in Africa. Currently, of the 15.2 million AIDS orphans in the world, 12 million (79 percent) reside in sub-Saharan Africa, and approximately 9 percent of children under the age of 15 have lost at least one parent to AIDS, and one in six households with children is caring for at least one orphan (UNAIDS, 2006). The sheer magnitude of these orphans left behind has posed considerable problems for orphan management among households and communities in Africa. It has been reported that a common strategy in AIDS-affected households is to send one or more children away to extended family members to ensure that they are fed and cared for (UNAIDS, 2000). However, these extended family structures have come under increasing stress as the number of caregivers and their available resources are shrinking. Consequently, Africa is witnessing an increase in the number of households headed by orphans and this is creating a new social system with inherent problems, which the communities continue to struggle to address (Hope, 1995).

Generally, orphans of the AIDS epidemic face a future that is much more difficult and uncertain than that of other orphans. AIDS orphans are at greater risk of malnutrition, illness, abuse, and sexual exploitation than children orphaned by other causes. Many of these orphans would have lost their parents before they had graduated from school. Studies in Uganda indicate that the chances of orphans of the AIDS epidemic going to school or completing school are reduced by 50 percent (UNAIDS, 2000). Jacques (1999) has also carefully demonstrated and summarized into six areas the problems that orphans of the AIDS pandemic in Africa are confronted with. The first is subsistence. Illness, and loss of a parent, reduces the capacity of families to provide for even their most basic needs. The second is health. This is related to the first to the extent that the loss of a parent reduces income, which, in turn, reduces the ability to access health services, degrades the family's immediate environment, and multiplies health risks.

The next area is psychosocial well-being and development. Orphans do not only have to contend with the traumatic loss of parents and the consistent nurturing they provide but also the treatment they receive in extended families, compared to other children, especially in relation to food requirements and medical attention which further affects their physical, psychological, and developmental welfare. The fourth area is shelter. Lost income or inability to repair and maintain the home can result in shelter being lost or becoming inadequate. The fifth area is education and training. The required resources may be lacking for children to enroll or continue in school or in other formal training programs. In urban areas, they may be required to find employment and in rural areas to contribute more time to agricultural tasks to compensate for the loss of their parents' labor. The final area is that of inheritance. There are reports that some orphans, in some African countries, have had their land, home, and possessions seized by relatives. As a result of this, many children are now opting to remain unsupervised in their homes, especially in rural areas, to guard against being dispossessed and to honor the wish of their dying parents.

One other important social impact, and with consequences at the community level, is that on the teaching and learning process in Africa. For reasons that are not entirely clear, HIV infection rates are very high among teachers and school administrators in Africa. In 1999, an estimated 860,000 children in sub-Saharan Africa had lost their teachers to AIDS (UNICEF, 2000). Between 1996 and 1998, almost as many teachers died as retired in the Central African Republic and Zambia recorded 1,300 teacher deaths in the first 10 months of 1998, more than twice the number of deaths in 1997 and two-thirds of the new teachers trained annually (UNICEF, 2000). Tanzania requires an additional 45,000 teachers to make up for those who have died or left the system due to AIDS (UNAIDS, 2006). In Uganda and Mali, nearly one-third of all teachers are HIV positive. In the Central African Republic, 85 percent of deaths among teachers are due to AIDS, while in Côte d'Ivoire it is 70 percent. In Namibia, the teacher shortfall is projected to rise from its level of 1,000 in 2001 to more than 7,000 by 2010 due to HIV/AIDS (ILO, 2004; UNAIDS, 2005).

All over Africa, the teacher to pupil ratio is being substantially reduced due to the death of teachers from HIV/AIDS. This disrupts the teaching and learning process and, in turn, the quality of education suffers which then impacts negatively on the development process itself. Education and training remain key ingredients in the building of skills and capacity to promote indigenous-led growth and development. If AIDS continues to kill teachers and prevent children from attending school due to illness, the circumstances of orphanhood, or simply because they are kept out of school due to the fear that they might become infected, then the previous gains in educational attainment will, ultimately, decline and national development will be constrained.

In addition to the loss of teachers, African society is also being impacted by the loss of health care workers. Health care workers have been subject to illness and death rates that have increased five- or six-fold due to AIDS. In Lusaka, Zambia, 20 to 50 percent of the nurses may die by 2008 due to HIV/AIDS. Botswana has lost about 17 percent of its health care workforce due to AIDS between 1999 and

2005 and 40 percent of that health care workforce will die from HIV/AIDS by 2010. In South Africa, there are estimated HIV prevalence rates for health sector workers of 16 percent overall and 20 percent among the younger workers (aged 18–35) in four of the country's provinces (UNAIDS, 2006; ILO, 2004).

## Economic Impact

HIV/AIDS has had, and will continue to have, a serious economic impact on African countries both in terms of direct and indirect effects. In particular, this economic impact will continue to affect household income and savings, business firms, growth, investment, poverty, and many sectors such as agriculture and health. Households are being severely affected and poor households even more so. For Kenya, households are estimated to lose 49–78 percent of their income when one person dies from AIDS. In Botswana, per capita household income is projected to have declined by 8 percent on average and by 13 percent in the poorest households over the 10 years from 1998 to 2008. In Tanzania, in the poor households, spending on food was found to decline by nearly a third and food consumption by about 15 percent in the six months following the death of a young adult. However, in wealthier households, food spending and consumption increased. In Côte d'Ivoire, following an AIDS death, average household consumption falls by 44 percent from the previous year (UNAIDS and UNECA, 2000). "HIV/AIDS economically affects a household by both increasing its required expenditures and by reducing its income because of morbidity and mortality" (Salinas and Haacker, 2006, 9).

What the foregoing clearly reveals is the positive relationship between AIDS and poverty in Africa. Having a family member living with or die from AIDS results in a significant decrease in household income and a huge increase in spending. The additional HIV-related expenditures include both health care expenditures to support infected members and funeral expenditures for the fatalities (Salinas and Haacker, 2006). Decreased income levels lead to a decrease in consumption patterns, diminished savings and, in some instances, debt. These consequences have multiplier effects on the national economy. Current estimates suggest that HIV/AIDS is reducing Africa's per capita income growth by 0.7 percent per year (UNAIDS and World Bank, 2001).

There is also growing evidence that, where HIV prevalence rates rise, the growth rate of the gross domestic product (GDP) falls significantly. In those African countries where less than 5 percent of the adult population is infected, there will be a modest impact on GDP growth. However, as the HIV prevalence rate moves to 20 percent or more, as is the case in many Southern African countries, GDP growth could fall by as much as 2 percent per year (UNAIDS and WHO, 2000). Some estimates of macroeconomic impact have also been done at the individual country level and they show that for many of the countries, and especially in Southern Africa, GDP growth per capita will decline annually by 1 percent or more (UNAIDS and UNECA, 2000). The cumulative effect of this slower growth will have serious consequences for those countries so affected. In South Africa, for example, one study has determined that, by 2010, the real GDP will be 17 percent lower than it would have been in the absence of AIDS. In current prices, that would result in a loss of US$22 billion to the country's economy.

The economic impact of AIDS is also being felt on a number of sectors. The health sector, in particular, has come under increasing pressure as the health services that African countries can provide are woefully inadequate. Not only is Africa the worst HIV/AIDS affected region, it is also the poorest region with the lowest access to, and quality of, health care (UNECA, 2000a). African governments have to make some difficult choices with respect to the allocation of resources as their health care systems attempt to cope with increasing numbers of patients with AIDS-related illnesses. In many of the countries, the percentage of hospital beds occupied, due to HIV-related illnesses, exceeds 50 percent. In Botswana, for example, it was estimated to be 60 percent back in 2000 (UNAIDS, 2006; UNAIDS and UNECA, 2000); while in Côte d'Ivoire, Zambia, Burundi, and Zimbabwe such occupancy is estimated at 50–80 percent for urban hospitals (UNECA, 2000a).

AIDS patients also require expensive drugs and the time of skilled personnel, all of which add to the direct costs of treatment. It is therefore in that context that Baker (2001, 26) argues that: "In Africa, AIDS is not a consequence of HIV but of poverty." He clearly states that, scientifically, AIDS is contracted from HIV. However, he emphatically also states that even if the drugs were provided free, African countries would not have the resources to ensure proper scientific support to see to it that the drugs actually cure people of HIV. In further support of his case, he cites the comparison example of the approximately US$32 million annual budget of a teaching hospital in London for the treatment of 2,000 HIV patients compared to the per capita health care budget of US$20 per person per year for all medical problems in all of Uganda.

Similar devastating impacts are also being experienced in the agricultural sector in Africa and in the business sector as well. With respect to the agricultural sector, AIDS undermines agricultural systems and affects the nutritional situation and food security of rural families. As adults fall ill and die, many families face declining productivity as well as loss of knowledge about indigenous farming methods and assets. According to the Food and Agriculture Organization of the United Nations (FAO, 2001), in the 27 most-affected African countries, AIDS has killed 7 million agricultural workers since 1985 and it could kill 16 million more before 2020. This means that as much as 26 percent of the agricultural labor force could be lost in sub-Saharan Africa by 2020. This, in turn, will continue to result in a reduction in land under cultivation, a decline in crop yields, and a shift from cash crops to subsistence crops. Thus, the quality and quantity of food would rapidly decline resulting in malnutrition and food insecurity.

For the business sector, profits or potential profits are being negatively affected due to increasing expenditures and declining revenues as a result of AIDS-related illnesses and deaths of employees. Firms relying on a high level of skilled labor, and in an environment of high HIV prevalence, are most vulnerable. The main effect being through increased labor costs and decreased availability of skilled labor. Many business firms in Africa are already saddled with significant increases in staff costs arising from absenteeism (due to illness and family bereavements); higher labor turnover (due to illness and deaths); and increasing recruitment, training, and staff welfare costs (medical insurance, medical expenses, and benefits to employees). For example, in South Africa, surveys done by the South African Business Coalition found that 9 percent of companies had suffered a significant negative impact due to AIDS, including higher labor turnover rates and additional recruitment and training costs in about one-third and one-quarter of them, respectively.

During the past few years, an increasing number of studies have also been undertaken on the impact of AIDS on the business sector and the findings paint a very gloomy picture for African business firms with significant negative consequences for the respective national economies also. For example, in Zimbabwe, the cost of AIDS to the National Railways in 1997 was found to be equivalent to 20 percent of company profits; in Zambia, the costs to a petroleum company for AIDS-related medical and funeral expenses in the early 1990s exceeded their meager profits of US$24,500; and in Côte d'Ivoire, a survey of three firms found average annual costs per employee due to

HIV/AIDS representing between 0.8 percent and 3.2 percent of the wage bill in1997 (UNAIDS and UNECA, 2000).

### International Relations Impact

Due to the magnitude of the pandemic in Africa, more than in any other region of the world, as well as what is scientifically known about how the disease is spread, HIV/AIDS has also impacted the relations among nations globally and, in particular, has found its way into the foreign policy agenda of the industrialized countries. The United States, for example, now regards HIV/AIDS not only as a challenge to health and economic productivity but also as a danger to economic development and political stability abroad that requires enhanced preparedness to safeguard the American society and the global community against its threat (United States Department of State, 2001).

AIDS is seen as threatening political and civic leadership, national militaries, the human and civil rights of women and children, and government capacity (Groelsema et al., 2000). In January 2002, for example, the international relations impact of HIV/AIDS in Africa was further demonstrated when the United Nations (UN) Security Council met to hold a debate on the impact of AIDS on peace and security in Africa. At that debate, the former UN Secretary General Kofi Annan said that "AIDS was causing socio-economic crises which, in turn, threatened political stability." In effect, AIDS is also seen as capable of undermining the entrenchment of democracy in the Africa region and it underlines the stark, inextricable links between the preservation of human security in Africa and the control of the HIV/AIDS epidemic.

## Policy Responses

In the absence of a cure for AIDS, the policy responses have been aimed primarily at preventing new infections and the further spread of the disease as well as wellness management aimed at both comforting and prolonging the life of those infected. In addition, many African countries have also been implementing policies directed at households and individuals that are socially or economically affected due to the positive HIV/AIDS status of a member or members of their family.

During the past decade a number of lessons have been learned about which policy responses work best and under what environmental circumstances they tend to be most successful. A few countries have recorded significant successes in curbing the spread of the disease. However, these successes are limited across Africa and the magnitude of the response required to effectively make a difference has been expanding exponentially along with the epidemic in recent years (UNAIDS and WHO, 2000). Most African countries now take a multi-sectoral approach within their response initiatives and many are implementing that policy response through activities in a partnership that includes the government, nongovernmental organizations (NGOs), civil society, persons living with HIV/AIDS, the private sector, and the donor community. Those activities tend to be concentrated around four strategies: (1) reduce the risk of HIV and other STIs transmission; (2) provide care and support to those affected by the epidemic; (3) strengthen institutional capabilities; and (4) reduce the vulnerability of families and communities.

Mounting an effective national response to the AIDS epidemic in Africa, encompassing the four strategies just described, has generally focused on four key areas as demonstrated by the Burkina Faso HIV/AIDS Disaster Response Project Document (World Bank, 2001). First, the need to expand and improve the effectiveness of key preventive interventions. This area has taken on greater importance due to the fact that, in spite of the reported high knowledge levels of HIV/AIDS among Africans, behavioral change remains modest. That indicates that information, education, and communication (IEC) campaigns need to be better targeted; behavioral change communications need to be expanded; and a greater emphasis needs to be placed on gender dynamics given their influence on the spread of AIDS.

The second key area pertains to the need to provide a continuum of care to enhance the effectiveness of preventive interventions with particular attention being given to strengthening the ability of the public health system to provide a range of quality and cost-effective interventions. Included here are such critical activities as the provision of voluntary testing and counseling nationwide, and the treatment of STIs and opportunistic infections to cover much larger and increasing proportions of the population at risk.

The next key area relates to government recognition that there is a need to also mobilize all key stakeholders in the fight against AIDS, including institutions in the public sector; private sector firms; NGOs; traditional healers and traditional counselors responsible for the socialization of young women and men; community members; and persons living with the disease. Although the health sector was the initial focus of the disease, many African governments are now forcing other sectors to analyze and come to grips with the implications of the epidemic for their respective sector and to identify appropriate remedial measures.

The final key area is the need to scale up interventions both with respect to geographic coverage as well as with respect to the availability of resources to move successful interventions to a larger scale to curb the epidemic. There are very good reasons for scaling up effective initiatives. Standardization can, for example, encourage greater equity in the provision of services and also promote an atmosphere for reducing discrimination and stigma. Scaling up introduces new expectations, reflecting national norms and goals, which can expand the provision of services in cost-effective ways (Collins and Rau, 2000).

Within the response attempts encompassing a multi-sectoral approach and the scaling up of activities, there are two important lessons that Africa has learnt during the past 15 years of responding to HIV/AIDS. These pertain to political commitment and the mobilization of financial resources. With respect to political commitment, there has recently been a demonstrable increase in the role played by African political leaders in publicizing the magnitude and consequences of the epidemic and in influencing their respective populaces to take steps to control its spread. This increased level of political commitment has been mobilized primarily through the International Partnership Against AIDS in Africa (IPAA). The IPAA was established in 1999 to mobilize broader, intensified response to the epidemic by partners inside and outside the continent. Its office is located within the UNAIDS (Joint United Nations Programme on HIV/AIDS) Secretariat in Geneva, Switzerland. The objective of the IPAA is to establish and maintain strategies by which governments, civil society, NGOs, and international organizations can work together more effectively to curtail the spread of HIV and sharply reduce its impact on human suffering in Africa. The five constituents of the partnership are African governments, the United Nations, donors, the community, and the private sectors (IPAA, 2000).

During the past ten years, and working through the IPAA, a considerable number of countries have either set up a new and high-level AIDS coordination agency or strengthened an existing one. In July 2000, African Heads of State and Government signed the Lomé Declaration on HIV/AIDS in Africa, which pledged to allocate needed resources within their national budgets to various HIV/AIDS activities, in particular the prevention and study of the epidemic and public education on its prevention and care. African leaders also mandated their respective governments, with the assistance of international partners, to take all necessary measures to accelerate health sector reform with a focus on all pandemics in general and HIV/AIDS, in particular, as a basis for improving the standard of living of Africans (IPAA, 2000).

Also, in December 2000, for the African Development Forum (ADF) 2000 of the United Nations Economic Commission for Africa (UNECA), the theme chosen was "AIDS: The Greatest Leadership Challenge." At this ADF, African leaders reached a "Consensus and Plan of Action," which described the various levels of leadership and how they can help reduce the spread of HIV/AIDS in Africa. Among other things, it also stated that: "With the required resources and the right leadership at all levels, we will win. Too much time has been wasted. Too many lives have been lost. Now is the moment" (UNECA, 2000b, 1). In April 2001, this African Consensus and Plan of Action was adopted by the African Heads of State and Government at the Special Summit on HIV/AIDS and Other Related Infectious Diseases held at Abuja, Nigeria.

In addition to the recent recognition of the importance of political commitment in creating awareness of the magnitude and consequences of HIV/AIDS and the publicizing of national response activities, particularly those aimed at behavior change, there has also been a much more intense mobilization of financial resources to support HIV/AIDS program activities. Many African governments, bilateral donors, and international organizations have been re-aligning and increasing their financial allocations for tackling the HIV/AIDS pandemic in specific country programs and sub-regional initiatives. One example of country financial mobilization efforts includes the setting aside of funds from national budgets, as part of the heavily indebted poor country (HIPC) initiatives, to finance a portion of the national AIDS response. Burkina Faso, Cameroon, Malawi, Mali, Mozambique, Tanzania, and Uganda have each allocated US$2–5 million of national resources obtained through debt relief to fight AIDS each year (IPAA, 2000). Other countries have now done the same. On the donor side, several of them, including the Netherlands, the United Kingdom, Belgium, Canada, Sweden, Japan, Norway, Germany, Finland, Ireland, the European Union, and the United States of America, have increased their investments on HIV/AIDS in Africa.

Also of importance, and not to be neglected in this work, is the role being played by charitable foundations, drug companies, and the corporate sector in the policy responses being implemented in Africa. The United Nations Foundation, for example, which was established to oversee the administration of media mogul Ted Turner's gift in support of UN causes, has donated to HIV/AIDS projects in such countries as Botswana, Mozambique, and Zimbabwe. Similarly, the Bill and Melinda Gates Foundation has provided grants to expand national HIV/AIDS program response activities in Botswana, Uganda, and Ghana.

With respect to the drug companies, despite the earlier stance taken by some of them regarding their legal attempts to prevent the generic production and acquisition of some of their patented HIV/AIDS medications in South Africa and other Third World countries, most of them have either now agreed to provide the appropriate drugs at deeply discounted prices or have undertaken to find ways to broaden access to care and treatment, while ensuring affordable, safe, and effective use of drugs for AIDS-related illnesses. The Clinton Foundation, headed by former United States President Bill Clinton, has also been extremely successful in negotiating and facilitating the price reductions and improved access for these drugs.

## Conclusion

This chapter has demonstrated that the HIV/AIDS epidemic has been and continues to be a major development problem that threatens the social and economic fabric as well as the political stability of many countries in Africa. However, as also demonstrated, HIV prevalence rates are declining in some countries and vigorous efforts are currently underway by many African governments and other stakeholders to mitigate the consequences of the disease. Political commitment has demonstrably increased, for example, and greater financial resources are being mobilized and directed toward the epidemic. In short, there is now a formal recognition by African policy makers, and the international community, of the need to focus on AIDS as a development and national security problem rather than just a health one.

Underpinning that formal recognition is the fact that HIV/AIDS has enormous socioeconomic repercussions and particularly so in those African countries with the highest rates of infection. Those repercussions, as shown in this work, include major impacts on the gains made in life expectancy, food security, and educational attainment. Moreover, the sheer number of deaths in Africa is already causing problems for the efficiency of businesses and government services. In addition, HIV/AIDS takes an especially heavy toll on the poor. Poverty and HIV/AIDS can create a vicious circle in that conditions imposed by poverty increase the risk of infection, and the effects of the disease, in turn, exacerbate poverty (Wilson, 2000).

Undoubtedly, tremendous lessons have been learnt about what works best in the fight against HIV/AIDS. The challenge now facing Africa is to maintain the focus on (1) scaling up and improving preventive activities in an effort to lower the risks of transmission; (2) strengthening capacity to provide care, treatment, and support to those infected or affected by the epidemic; and (3) mitigating the socioeconomic impact on affected households and communities.

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# Chapter 4

# Child Survival, Poverty, and Labor

Children in Africa face a number of risks and are subjected to plights much more severe than in other developing regions. Compared to other regions in the world, Africa has the highest incidence of children at risk of poverty, disease, malnutrition, orphanhood, mortality, and sexual and labor exploitation. However, here again, the situation is improving in several of these areas.

Large numbers of children in Africa struggle as they grow up due to hostile environments where their childhood is influenced by many factors that severely limit their emotional, mental, physical, and social growth and development. That, in turn, among other things, significantly limits their prospects for childhood survival, increases their chances of having to enter into employment voluntarily or forcibly, and makes them susceptible to poverty. Many of these children are now spending their childhood as street urchins struggling to survive in the harsh environment of Africa's streets.

This chapter examines and analyzes the plight of Africa's children in the context of the risks they face with respect to their mortality and, hence, their childhood survival; their socioeconomic insecurity and, consequently, their prospects for escaping poverty; and their engagement in economic activities which leaves them vulnerable to such things as slavery, prostitution, employment in the drug trade and other criminal activities, and human trafficking. The trends and contributory factors are discussed and an analytical assessment is offered with policy implications for mitigating the risks and consequences of child mortality, poverty, and labor on the continent.

## Child Survival, Poverty, and Labor: Summary of Overall Trends and Issues

Individually, child survival, child poverty, and child labor constitute considerable problems for human development and the achievement of economic security in Africa. For policy mobilization and implementation, these three development problems must be bundled together since they are not only influenced by the same factor—the state of socioeconomic development—but there is also a considerable degree of cause and effect among them. For example, poor health and low survival rates among African children are directly attributable to the lack of proper access to health care, which, in turn, is a function of poverty (see chapter 1). Similarly, engaging in employment rather than attending school, for instance, is primarily due to the need to subsist economically and improve human security, including being able to access healthcare. This section deals with the trends and pertinent issues on the survival of children, the poverty of children, and child labor in Africa.

### Child Survival

Each day in sub-Saharan Africa, thousands of young children die needlessly. Such factors as malnutrition, diarrheal disease, malaria, pneumonia, measles, whooping cough, tetanus, and tuberculosis head the list of killers. “And what’s so striking about those causes is that, in almost every case, they are preventable. Immunization, basic nutrition, clean water, and simple procedures for health monitoring and treatment can—effectively, inexpensively—revolutionize the long-term outlook for the African child” (Africare, 2004, 1).

At current rates, there are more than 10.1 million children around the world who still die unnecessarily each year. Sub-Saharan Africa leads the way with 48 percent of the world’s total child deaths followed by South Asia with 31 percent. In the industrialized countries, less than 1 percent of the world’s total child deaths occur. During the past four decades, sub-Saharan Africa has consistently had the highest rates of children dying each year. By 2005, the mean under-five mortality rate in the region was 169 per 1,000 live births compared to 84 in South Asia, 83 in the developing countries, and 153 in the least developed countries (UNICEF, 2006).

During the past four decades, child mortality rates have indeed been declining, in absolute terms, in sub-Saharan Africa as in the rest of the world. However, compared to other regions, sub-Saharan

Africa has also had the slowest rates of reduction during that period. During the period 1960–1990, the average annual rate of reduction of the under-five mortality rate was 1.3 percent compared to 0.7 percent during the period 1990–2005. For South Asia, the corresponding reduction rates were 2.2 percent and 2.9 percent, respectively (UNICEF, 2003a, 2006). By 2005, the rates of child survival in sub-Saharan Africa had not yet reached the levels attained by the industrialized countries in the 1950s. In fact, in 2005 child mortality rates were more than 25 times higher in sub-Saharan Africa than in the industrialized countries compared to 18 times higher in 1990 and 7 times higher in 1960 (UNICEF, 2003a, 2006).

In terms of ranking, by magnitude of child mortality rates in descending order, the thirty-five countries with the highest rates in the world are all in sub-Saharan Africa with two exceptions—Afghanistan and Cambodia. The poorest countries are contributing a huge share to the regional statistics based on the proportion of child deaths relative to live births. Sierra Leone heads the list with 282 child deaths per 1,000 live births. Its gross national income per capita is US$220. Burundi, which is ranked at 17, is the poorest country in the world with a per capita gross national income of only US$100 (UNICEF, 2006).

Poverty is the primary cause of the low child survival rates found in sub-Saharan Africa and it will be discussed further in the next section. However, there are a number of other factors, also related to poverty, that contribute to infant mortality in the region. Research by Black et al. (2003) has found a number of risk factors for child deaths. They include unhygienic and unsafe environments such as ingestion of unsafe water, inadequate availability of water for hygiene, lack of access to sanitation, and health-related behaviors such as inappropriate birth spacing and poor breastfeeding practices. These risk factors and behaviors tend to complicate the underlying causes of sickness, which eventually lead to child death. Measles, malaria, and AIDS, for example, are often complicated by pneumonia or diarrhea. In sub-Saharan Africa, malaria, respiratory infections, and diarrheal diseases continue to be the leading causes of death in children, accounting for some 53 percent of all deaths (Mathers et al., 2004). In addition, perinatal conditions (which rank in fourth place) and HIV/AIDS are also prominent causes of child deaths in the region. While some of the countries have indeed made considerable progress in reducing child mortality, “the majority of African children live in countries where the survival gains of the past have been wiped out or even reversed, largely as a result of the HIV/AIDS epidemic” (Mathers et al., 2004, 46).

### Child Poverty

As indicated above, child survival in Africa is significantly influenced by poverty. This would seem obvious to any keen observer. But why is this situation so prevalent and deeply rooted in Africa? The answer lies in the fact that although the incidence of poverty has fallen in most regions of the world since 1945, in Africa poverty continues to be a deepening socioeconomic problem despite the gains in economic progress and growth in some of the countries since embarking on the process of economic liberalization or structural reforms (Hope, 2004).

Poverty results in inadequate access to goods and services or the resources to acquire them (see chapter 1). In addition, there are other influential dimensions such as malnutrition, lack of shelter, lack of political rights, and illiteracy (Hope, 2002, 2004). Poverty has historically been regarded as a vicious cycle in Africa (Hope, 2004). Poor households produce and raise poor children resulting in the loss of childhood opportunities, such as schooling, that cannot always be regained. Poor children, in turn, tend to become poor parents. Poverty is therefore passed on from generation to generation affecting the long-term health, well-being, and productivity of families and of society as a whole (Marshall, 2003). By 2005, children comprised almost 45 percent of the 713 million total population living in sub-Saharan Africa (UNDP, 2006; UNICEF, 2006). Approximately, 41 to 50 percent of these can be regarded as poor based on national poverty lines and census data on households. It is primarily through the household that children—particularly young children—experience poverty since child poverty and welfare are fundamentally related to household poverty and welfare (Harper and Marcus, 1999).

In many of the poorest African countries such as Uganda, Niger, Mali, Burkina Faso, Democratic Republic of the Congo, Guinea-Bissau, and Malawi, for example, children under the age of 15 make up more than 45 percent of the population (UNICEF, 2006; UNDP, 2006). This not only indicates the high fertility rates (exceeding six children born per woman) but also that motherhood in these poor countries occurs at early ages—among women aged 15–19. This, in turn, impacts on the ability of these mothers to nourish and nurture their children. Higher fertility rates can lead to larger households and the latter are much more likely to be poorer than smaller households. Similarly, female-headed households, and the children living in them, are at greater risk of poverty (Harper and Marcus, 1999). In recent years, the proportion of female-headed households in sub-Saharan

Africa has been increasing due to, among other things, male migration, the deaths of males due to AIDS or civil conflicts, unpartnered adolescent fertility, and family disruption (IFAD, n.d.). All of this, in turn, contribute to the vicious cycle of poverty discussed above. According to IFAD (n.d.: 1), "there seems to be little dispute over the fact that [female-headed households] FHHs are usually disadvantaged in terms of access to land, livestock, other assets, credit, education, health care and extension services."

## Child Labor

As a result of poverty, many children in Africa have been engaging in paid economic activities and at younger ages also. In addition, the loss of adult economic support and supervision as a result of conflict and diseases, such as HIV/AIDS, has contributed significantly to the increase in the number of children at work in Africa (UNICEF, 2001). The most recent statistics (2004), as compiled by the International Labor Office, indicates that sub-Saharan Africa has the highest incidence of child labor in the world (ILO, 2006). Approximately, 29 percent of children aged 5–14 were economically active in sub-Saharan Africa. This amounts to almost one child in four below the age of 15 being involved in work. In some of the poorest African countries such as the Central African Republic, Chad, Guinea-Bissau, Niger, Sierra Leone, and Togo, for example, more than 50 percent of children are engaged in economic activity (UNICEF, 2006). Economic activity as defined by the ILO includes unpaid, casual, and illegal work as well as work in the informal sector. It excludes schooling and chores undertaken in the child's own household. A child must have worked for at least one hour on any day during a seven-day reference period to be counted as economically active (ILO, 2006).

In many of the African countries, there is a declining capacity of both immediate and extended families to support the children. Consequently, children with jobs make a major contribution to household livelihood security. Some children leave home voluntarily to engage in work or at the urging of their parents to escape poverty. Others are ensnared by labor traffickers. The survival of many poor families depends on the cash and in-kind income generated by children (Anker, 2000). Similarly, at the macro level there is a negative relationship between economic development and the incidence of labor (Bhalotra, 2003).

Further evidence on poverty as a major influence on child labor in Africa can be derived from the fact that there are significantly greater proportions of children involved in child labor activities in the poorest 20 percent of households than in the richest 20 percent of households. Also, there is a greater incidence of child labor among children whose mothers had no education than among children whose mothers had some education. Poverty is therefore a major and ubiquitous factor that greatly limits vocational and economic opportunities and pushes families to use all available avenues to increase their rather low incomes (Salah, 2001). Income provided by children in the less developed countries, including the sub-Saharan Africa countries has been estimated to account for as much as 20 to 25 percent of total family income and prevents their families from falling deeper into poverty (UNICEF, 2001). From a macro perspective, child labor also declines with increases in gross domestic product per capita (ILO, 2006). In fact, it has been found that GDP per capita is an especially strong correlate of child labor force participation rates across countries (Fares and Raju, 2007).

The relationship between poverty and child labor seems obvious enough and is borne out by the data for sub-Saharan Africa. The general empirical literature shows, for example, that a person who receives more education as a child grows up to have a higher human capital. In other words, there is a positive link between the amount of schooling and human capital acquired. That, in turn, translates into a higher labor income, assuming normal market conditions (Basu and Tzannatos, 2003). Consequently, if a child supplies more labor and gets less education while being a child, he or she will grow up to be poorer as an adult. The logical end result of such a state of affairs, as articulated by Basu and Tzannatos (2003), is that such an individual on becoming an adult will send his or her children off to work, thereby maintaining the vicious cycle of poverty across generations. On the other hand, a child who manages to attend school is much more likely to escape child labor and acquire a larger income as an adult, and will therefore have less need to send his or her offspring out to seek work rather than go to school.

Poverty, as the major push factor for child labor in Africa, then leads to a situation where children may have to engage in hazardous work or other worst forms of child labor to subsist. These are grouped as trafficking, forced and bonded labor, armed conflict, prostitution and pornography, and illicit activities. Not surprisingly, the African continent is quite prominent in the number of children participating in armed conflict. It was estimated that in 2000 there were 300,000 children being used in armed conflict around the world. Africa and the Asia-Pacific regions accounted for the majority as well as an equal share of the world's total at 40 percent each (ILO, 2002a).

## Analytical Assessment

Child survival and child labor in Africa are inextricably linked to poverty. As previously discussed, children born into poor families face a greater risk of death before age five. Similarly, children from poor households are forced to engage in economic activities to attempt to mitigate their poor socioeconomic circumstances. Some analysts, such as Harper and Marcus (1999, 2), for example, have argued that:

> Whatever the causes of poverty, the costs of poverty are disproportionately absorbed by children who, when livelihoods fail, give up school, are neglected in health and nutritional terms and take up paid and unpaid labor, in particular household labor to replace that of parents who are engaged in seeking additional income.

### Undernutrition and Disease

With respect to child survival, among the primary aspects of poverty contributing to the high child mortality rates in Africa are undernutrition and disease. In the majority of countries, high levels of undernutrition or malnutrition weaken children's resistance to disease, and the proliferation of diseases related to poor living and sanitary conditions—such as respiratory infections, diarrhea, and malaria—contributes to high death rates for children (Harper and Marcus, 1999; UNICEF, 2001). Some recent empirical work by Caulfield et al. (2004) estimates that an average of 56 percent of deaths in young children in sub-Saharan Africa are attributable to undernutrition, with the proportion of deaths varying from an average of 42 percent for measles to 63 percent for diarrhea. The most recent available data indicate that there has been some progress during the past decade in the reduction of malnutrition in sub-Saharan Africa. Underweight prevalence, for example, for children below the age of five decreased from 33 percent in 1990 to an average of 31 percent in 2000 and was an average of 28 percent for the period 1996–2005 (UNICEF, 2006; United Nations, 2004). Another indicator of malnutrition is the number of stunted children in the population. Stunting is usually measured as the proportion of under-fives falling below the median height-for-age of the reference population. In sub-Saharan Africa, stunting prevalence was estimated at more than one-third (37 percent) for the period 1996–2005 (UNICEF, 2006). Only South Asia has a higher prevalence of stunting (44 percent) for children under five years old. Many of these children are born with low birth weight—less than 2.5 kilograms—due to their undernourishment in the womb as a result of their mother's own poor health and nutritional status. It was estimated that during the period 1998–2005, 14 percent of infants were born with low birth weight compared to 29 percent in South Asia (UNICEF, 2006).

Nutrition is a very important factor in child development and growth. Where there is malnutrition, there are risks for disease. When poverty is added to the equation, it produces a downward spiral that may end in death. For example, poor households may eat and absorb insufficient nutritious food. That makes them much more vulnerable to disease. The lack of sufficient nutritious food leads to stunted development and/or premature death as disease decreases the ability of households to cultivate or acquire nutritious food (WHO, 2003). Consequently, the downward spiral of poverty and illness can lead to death.

The other critical aspect of poverty contributing to child survival in Africa is therefore disease. For a small number of countries in sub-Saharan Africa that have high levels of HIV infection, this can be attributed, to some extent, to AIDS deaths due to mother-to-child transmission of HIV (United Nations, 2004). However, for most countries, progress in reducing child mortality has resulted from attempts to reduce malnutrition as well as better interventions to address child mortality from diarrhea, pneumonia, vaccine-preventable diseases, and malaria.

Immunization rates, for example, of one-year-old children although lowest in sub-Saharan Africa, compared to other regions in the world, have been improving also for such significant health concerns as tuberculosis; diphtheria, pertussis (whooping cough) and tetanus (DPT3); hepatitis B (HepB3); polio; and measles. For the latter, for instance, there has been much progress during the past decade. Measles cases and deaths fell by nearly 75 percent between 1999 and 2005 (United Nations, 2007). In 2005, 65 percent of children in sub-Saharan Africa were immunized against measles compared to 57 percent in 1990 (United Nations, 2004; UNICEF, 2006). In many countries, including some of the poorest, more than 80 percent of children are now immunized against measles (UNICEF, 2006).

### Child Labor Characteristics and Utilization

Although the incidence of child labor is decreasing in sub-Saharan Africa, the absolute number of economically active children in the region has been increasing. This is so primarily because the children themselves and/or their families rely on the income they earn to subsist. Moreover, it has been observed that attempts to stop children from working usually degrade their situation further unless better alternatives are provided (UNICEF, 2001). However, there must continue to be domestic and international concern about child labor and particularly so in those countries where it is most pronounced. That concern is justified on the grounds of the protection and development of children.

Children need to be protected because they are powerless to protect themselves both at home and beyond. Generally, they are dependent on others to promote their interests and welfare both as a group and as individuals (Harper and Marcus, 1999). African children living in poverty are often exposed to abuse and exploitation both in and out of the African work environment. And, for reasons that have to do with their own poverty status, they may be forced to engage in hazardous and other worst forms of work. Their development is also of major concern because child labor tends to interfere with the ability of children to attend and perform in school. In general, child labor impedes the acquisition of education and human capital (Anker, 2000; Basu and Tzannatos, 2003). That, in turn, further limits income and robs nations of literate and much more productive members of society whose children, in turn, are therefore likely to grow up poor and be subjected to potentially negative effects on their health and welfare.

## Child Trafficking

Among the emerging characteristics of child labor in Africa is the issue of trafficking. Child trafficking is the recruitment, abduction, transportation, transfer, harboring, or receipt of a child for the purposes of sexual or labor exploitation, forced labor, or slavery (ILO, 2002b, 2002c). Child trafficking appears to be much more prevalent in West and Central Africa with common routes from West Africa to the Middle East and Europe; from Togo, Mali, Burkina Faso, and Ghana to Nigeria, Côte d'Ivoire, Cameroon, and Gabon; and movement in and out of Benin and Nigeria (UNICEF, 2002, 2003b; GMACL, 2004).

Although the data are limited, some of the available country information show that Togo, for example, is a major country of origin for trafficked children that includes the trafficking of Togolese girls into domestic servitude, sexual exploitation, and forced market labor in Gabon, Benin, Nigeria, and Niger; and the trafficking of boys into labor exploitation, usually agricultural work in Nigeria, Benin, and Côte d'Ivoire (Human Rights Watch, 2003; United States Department of State, 2007). There is also some evidence that Southern Africa, in particular South Africa, is becoming both a destination and transit country for trafficked children from the entire continent (ILO, 2002b), with increasing originating activities from Lesotho, Malawi, Mozambique, and Swaziland and, in addition, there has been an upswing in trafficking for sexual exploitation by sex tourist traffickers from Europe as was found to be the case in Malawi, for example (IOM, 2003; United States Department of State, 2007). In Eastern Africa, it is estimated that thousands of girls are sent to the Middle East each year from Ethiopia with some 1,000 of them recruited monthly and trafficked to Beirut, Lebanon (IOM, 2004; United Nations Foundation, 2004). Rural Ethiopian children are also trafficked internally to urban areas for domestic servitude and, to a lesser extent, for commercial sexual exploitation and forced labor, such as street vending or agriculture (United States Department of State, 2007).

Trafficking in human beings is a contemporary form of slavery (United States Congress, 2000). Trafficked children are sent to other countries for domestic service, or put to work on plantations, in petty trade, as beggars, in soliciting, and as commercial sex providers, for example (ILO, 2002b). Trafficking in African children is a growing transnational crime that involves forced labor and major violations of labor, health, and human rights standards as well as violations of other statutes, including immigration codes and laws against kidnapping, false imprisonment, assault, battery, pandering, fraud, and extortion. Traffickers primarily target children who are disproportionately affected by poverty, have no access to education, and lack economic opportunities in their countries of origin. Many of the children are bought from poor families and sold into various types of forced or bonded labor. In March 2006, for example, police in Zambia arrested a man for attempting to sell his 10-year-old son for the equivalent of US$215. He was convicted and sentenced to 20 years in prison (United States Department of State, 2007). There are instances where parents were persuaded by traffickers to send their children away to earn some extra income but neither the parents nor the children were paid (Harsch, 2001).

## Domestic Exploitation

One aspect of child labor that is often overlooked, but has recently come into sharper focus, is that of child domestic laborers. Child domestic labor refers to situations where children under the minimum legal age, as defined by national legislation, are engaged to "perform domestic tasks in the home of a third party or 'employer' under exploitative conditions" such as "long working hours, [or] with no or little wages" (ILO, 2004a, 10). These children are extremely vulnerable to exploitation and abuse. Whenever the exploitation is extreme, "children may find themselves traded or trafficked into someone else's home," and toiling with no time off in conditions that are hazardous and harmful to their physical and psychological health and safety (ILO, 2004a, 10). They may be considered possessions of the household in which they work and "confined to the house at all times, suffer beatings, be denied access to family, friends, decent food," and health services (ILO, 2004a, 10). Girls working in domestic service are often required to engage in sex with male members of the household (ILO, 2004a). That, in turn, exposes them to sexually transmitted diseases and HIV/AIDS in particular.

In Africa, child domestic laborers are engaged as maids, child-minders, cleaners, cooks, gardeners, and general house-helpers. Available statistics covering the period 2000–2002 indicate that there were some 200,000 child domestic laborers in Kenya; 53,942 in South Africa; 53,370 in Senegal (of which 12,000 are between 6 and 14 years old); 6,500–7,500 in Addis Ababa, the capital of Ethiopia; and 66,000–88,000 in Morocco (of which 70 percent are under the age of 12) (ILO, 2004a). Apart from poverty as the primary factor, African children (especially girls) are attracted to domestic work more frequently where the employer is a member of the extended family or a benefactor, to repay a debt, or as preparation for marriage by learning the skills of a housewife.

## Child Soldiers

Another significant characteristic of child labor in Africa is the use of children in armed conflict as soldiers and through forced recruitment in many cases. The term "child soldier" refers to any person less than 18 years of age who is part of an armed force in any capacity, whether or not an armed conflict exists, and those accompanying such groups, other than as purely family members. It includes girls recruited for sexual purposes and forced marriage (United Nations, 2000). It does not therefore refer only to a child who is bearing arms or has done so in the past. Child soldiers are often recruited by both government and opposition or rebel forces. Some children do volunteer to join up in order to subsist, to prove their manhood, because they are encouraged by peers or a culture of violence, or driven by a desire to avenge atrocities committed against their family or community (CSC, 2004a). In their research, that included four African countries, Brett and Specht (2004) concluded that the key factors making children vulnerable to military participation are war itself, poverty, family circumstances which may act as both push or pull factors, education and employment status, and the peer group.

Many children join armed groups after experiencing or witnessing abuse and violence at the hands of opposing groups including state authorities. However, it is predominantly the same categories of children who are used as child soldiers during armed conflicts as are drawn into exploitative forms of labor in peacetime. The overwhelming majority of them are (1) separated from their families or have disrupted or nonexistent family backgrounds (such as child-headed households, single parent families, or orphans); (2) economically and socially deprived (being poor, lacking access to education, or homeless, for example); (3) members of other marginalized groups (such as ethnic minorities or refugees); (4) escaping domestic violence, abuse or exploitation; and (5) residents of the conflict zones (CSC, 2004b; ILO, 2002c). Many of these children are deployed to fight in the frontlines. However, some are also used as spies, scouts, decoys, couriers, messengers, sentries, porters, for laying and clearing landmines, for stealing and foraging for food, for logistics and support functions, as servants, or sexual slaves. Most child soldiers suffer physical abuse by the adult soldiers and they are often killed if they attempt to escape or resist, or if they cannot keep up, or if they happen to become ill (Human Rights Watch, 1999; CSC, 2004).

The use of children in hostilities has generally been declining. However, in recent years, the African countries making the most use of child soldiers include Somalia, Democratic Republic of the Congo (DRC), Sudan, Uganda, Côte d'Ivoire, and Burundi. In many of these countries the child combatants are often plied with drugs, alcohol, and other hallucinogenic agents before battles in order to boost their courage (Twum-Danso, 2003). And, in any conflict where even a few children are involved as soldiers, all children in the conflict zone, civilian or combatant, come under suspicion and are then also targeted by the warring factions. It was estimated that, in the 2003–2004 period, Sudan had 17,000 children that had carried or were still carrying arms in the ranks of government forces, allied militias, or armed opposition groups; the Sudan People's Liberation Army (SPLA)—a non-state armed group—had 2,500 to 5,000 child soldiers due primarily to new recruitment or re-recruitment during demobilization efforts; and the Democratic Republic of the Congo had some 30,000 child soldiers that needed to be demobilized (CSC, 2004d).

The consequences of children supplying their labor as soldiers are quite severe. In some of the African countries, children as young as 7 to 8 years old have engaged in battle. Consequently, child soldiers do not only lose their childhood and opportunities for education and acquisition of human capital, they also risk physical and psychological trauma as well as death (Twum-Danso, 2003). Many of these children are at particular risk of rape and sexual slavery. In Uganda, for example, until August 2006 an opposition rebel group known as the Lord's Resistance Army (LRA) had a notorious reputation for invading schools and raiding villages solely for the purpose of abducting children and turning them into soldiers. The female children were often forced to be "sex slaves" and wives for high-ranking members of the LRA (CSC, 2004c; Kalis, 2002; United States Department of State, 2007). Similar abduction atrocities have been recorded in the Democratic Republic of the Congo where Thomas Lubanga, the former leader of the rebel group *Union des Patriotes Congolais*—Union of Congolese Patriots (UPC), had decreed in February 2003 "that each family in the area under its control must contribute to the war effort by providing a cow, money, or a child" for the UPC, and the group has conducted forced roundups in schools (CSC, 2004c, 13).

## Street Children

One other important characteristic of child labor in Africa is the phenomenon of street children in the urban areas. Although the majority of child laborers in Africa toil in the rural areas—in the agriculture, hunting, forestry, and fishing sectors—there is an increasing number of children engaging in economic activities in the urban areas. The incidence and severity of urban child poverty tends to be reflected in the concentration of street children in the urban informal economy. Although the urban informal economy in Africa has been described as invisible or subterranean (see chapter 2), children working on the streets of Africa's cities are indeed the most visible face of, and immediate point of contact with, child labor.

According to Kopoka (2000), street children can be defined as children under the age of eighteen who spend most of their life on the streets. Some of these children permanently inhabit the street. They live and earn their living on the streets. Others earn their living on the street but return to a family unit where there is generally adult supervision or control. This latter group includes school children. The majority of Africa's street children belong to the former group. They work, play, and sleep rough on the streets. They have become part of the permanent landscape of Africa's cities in their quest for a livelihood. In Tanzania, for example, these street children are referred to as *watoto wa mitaani,* in Kenya they are known as *chokorra,* and in the Democratic Republic of the Congo they are called *moineaux* or *sparrows* (Kopoka, 2000).

Poverty, of course, is the primary driving force behind the increase in the number of Africa's street children. Many of these children come from the rural areas. Some are sent by their parents to the urban streets to seek out income. Other children leave home to escape physical abuse by their parents or stepparents. Some are refugees or internally displaced children. Some are the offspring of prostitutes. Some are handicapped and rejected by their families. Some are orphans in child-headed households. Their common bond is that they are chronically poor and are desperately trying to subsist and improve upon their circumstances.

Street children in Africa engage in a diverse set of economic activities that are characteristic of the urban informal sector. They include food vending, hawking of small consumer goods, shoe shining, windscreen washing, tire repairing, portering, scavenging, car repairing, carpentry services, and gardening. In addition, some engage in begging, pickpocketing, and other theft. While some are able to work for informal enterprises and networks, many are self-employed (ILO, 2002c). The life of street children in the cities of Africa is harsh. They see the street as a place to search for a livelihood but many have had to steal for food. As the number of street children rise, so too will their problems, as there will be greater competition for the few sources of income that are available (Abaana, 2004).

Africa's street children share the street with large numbers of adults, vehicles, and even animals in some cities. The local adults tend to regard the street children as nuisances and criminals. Most people are unable to avoid them, however, since they usually roam in packs along the sidewalks or at busy street intersections and bazaars. Street children face hardship and hazards on the street. Many are forced to work long hours to get enough money for food. Some are also physically and sexually abused and many are infected with sexually transmitted diseases, including HIV/AIDS. Being infected with HIV/AIDS represents a double jeopardy for those children who have been forced into the streets in the first place because they were orphaned due to the death of their parent(s) from AIDS (see chapter 3).

## Policy Implications

African countries have recognized the importance of children in the future development of the continent, and they have begun to take steps to mitigate the plights and risks their children face with respect to their socioeconomic circumstances and, in particular, are attempting to come to grips with the problems of child mortality, child poverty, and child labor. As a first step, all countries have ratified the Convention on the Rights of the Child (CRC) that was adopted by the United Nations in 1989, and the majority of countries have either ratified or signaled their intention to ratify Conventions 138 and 182 which are designated as fundamental conventions on the abolition of child labor. The former (No. 138) is the Minimum Age Convention adopted by the United Nations in 1973 and the latter (No. 182) is the Worst Forms of Child Labor Convention that was adopted by the United Nations in 1999. Also, African countries have agreed to an African Charter on the Rights and Welfare of the Child that was adopted in 1992.

### National Laws and Actions

In addition to acceding to these international and regional rights of the child conventions, some African countries have also been putting national laws and actions in place to improve the situation of their children. In Nigeria, for example, the national legislature has outlawed human trafficking; Gabon has created a national commission against child trafficking which is headed by the Vice President; Burkina Faso, Côte d'Ivoire, Mali, and Senegal have signed a cooperation accord to combat cross border trafficking and help improve the detection and tracking of trafficking networks and the repatriation of children when they have been rescued; and Ethiopia has opened a center to provide shelter, medical assistance, psychosocial counseling and family reunification support to victims of trafficking (Harsch, 2001; IOM, 2004).

Also, South Africa has enshrined children's rights in its constitution and the country has an Office of the Rights of the Children which provides a focus for dealing with the needs of vulnerable children particularly to promote the need to identify and assist children in households stricken with HIV/AIDS before the children become orphaned; and Tanzania has adopted a national child labor policy (Rau, 2002). Other countries, such as Botswana, have long-standing practices and action plans to meet the needs of vulnerable children including those orphaned by AIDS; "Uganda has become a leader in the effort to relocate and resettle children living on the streets of [its] large urban cities" (Jacob et al., 2004, 19); Niger established a National Commission Against Forced Labor and Discrimination; Malawi established additional community child labor committees that monitor their villages for suspicious behavior and report suspected trafficking cases to the police; Kenya has enacted a Sexual Offences Act that criminalizes the trafficking of children for sexual exploitation; the government of the Gambia operates a hotline for tips on child trafficking suspects; and the Central African Republic has developed a National Action Plan to prevent child sexual abuse (United States Department of State, 2007).

## Costs and Benefits of Eliminating Child Labor: ILO Contribution and a Comment

In early 2004, the International Labor Office (ILO) issued an excellent empirical study reporting on the economic costs and benefits of eliminating child labor throughout the developing and transitional world (ILO, 2004b). It was based on the development of a general program of action that was hypothetically applied in all countries, and estimations were made of the cost of each element in this program as well as the projected economic gains from eliminating deleterious child labor and replacing it with education. Three elements were developed in the study as the costs of eliminating child labor: (1) Education supply—costs of building new schools, training and hiring new teachers, and supplying additional educational resources and materials to achieve the goal of universal primary education by 2015 and universal lower secondary education by 2020; (2) Income transfers—cost of administering the income transfer program in each country to defray the cost to poor households of transferring children from work to school; and (3) Non-school interventions—cost of achieving the urgent elimination of the worst forms of child labor and addressing the needs of special populations in conformity with Convention No. 182. In addition, the opportunity cost—the cost borne by households due to the value of child labor foregone—is estimated. For the benefits, the study proposed that there were two principal ones: (1) Education—benefit of the improved productivity and earning capacity associated with increased education; and (2) Health—benefit of gains anticipated from improved health due to the elimination of the worst forms of child labor.

The results of the study provide aggregate estimates of net economic benefits and net financial benefits. They confirm the view that the elimination of child labor and its replacement by universal education will yield significant economic benefits in the long run. For sub-Saharan Africa, the long run is determined to be 17 years. That means that there is a lag of approximately 17 years between the inception of the child labor elimination program and the beginning of net economic payoffs. Over a 20-year period (2000–2020), total benefits are calculated to exceed total costs by a ratio of 5.2 to 1 in the region, net economic benefits are 54 percent of aggregate annual gross national income, and net financial benefits are 51 percent of aggregate annual gross national income. During this period also, the fiscal burden to countries will increase annually. For the region as a whole, the average annual burden during the first ten years is estimated at US$8.8 billion and US$23.5 billion during the second decade.

The elimination of child labor globally is a worthy endeavor and needs to be vigorously pursued by developing countries. Undoubtedly, and as empirically demonstrated by the ILO (2004b), the benefits of eliminating child labor far exceed the costs over the long term. However, in the case of Africa, there are certain economic realities, cultural patterns, and historical and environmental factors that do not lend themselves to the total elimination of child labor on the continent, and it is in that context that Bass (2004, 3) documents that "not all child labor is bad." Many African states lack the resources and capacity to support adequate welfare for children. One result is that "children are being forced to adopt roles and responsibilities that challenge common assumptions about childhood and the place of children in society" (Bourdillon, 2004, 100). The HIV/AIDS epidemic, for example, is projected to continue to have disastrous effects on households, over the short- to medium-term, resulting in the offspring of those households being forced to seek employment despite any attempts to bureaucratically provide income transfers to these households as called for in the elimination program outlined in ILO (2004b). Such income transfers tend to be short-term at best and are often inadequate to meet needs.

Consequently, there is a need for the scaling up of expenditures in the health sector that may get in the way of finding sufficient resources to sustain a program of eliminating child labor. This work therefore takes the view that a much more comprehensive approach is required to continue to reduce poverty and mitigate the circumstances that lead to the entry of children into economic activities. Unless poverty is continuously reduced and pro–poor growth policies are put in place and sustained, children in Africa will continue to face plights and be subjected to risks pertaining to their survival and their need to seek work. In fact, the only reliable way to reduce poverty on the continent is to sustain a path of positive, long-term growth (Artadi and Sala-i-Martin, 2004). A cornerstone as well as an intended outcome of this policy approach is employment generation. Employment for adults is a critical prerequisite for escaping poverty (see chapter 1). It is at the core of economic development and social stability (Hope, 2004; Somavia, 1999). Employment generation increases family incomes and sustains its flow. That, in turn, decreases the chances of a life in poverty.

## Conclusion

In an ideal world no child would be at risk of surviving to age five or would be required to forego school to be able to work in order to subsist. However, the world is not ideal and, in Africa, millions of children are at risk of poverty and disease and, hence, the consequences that flow from that, including premature death. As this work has shown, Africa has the highest incidences of child mortality, child poverty, and child labor in the world. Apart from being the poorest region in the world, Africa also has the weakest school systems and the most inefficient delivery of social services. Despite recent improvements in many socioeconomic indicators, children are still dying needlessly. Large numbers of others are otherwise vulnerable as they are forced to engage in economic activities due to their poverty status. Indeed, "many chronically poor children are members of [the] 'vulnerable groups'—orphans, street children, working children, child sex workers, child heads of households" (CPRC, 2004, 23). As remarked by former U.K. Prime Minister Tony Blair (2004, 2):

> It is wrong that more than one in six African children die before their 5th birthday. It is wrong that only half of the lucky ones that survive are able to complete their primary education, before they have to go out to work to support their family. And it is wrong that 12 million children in Africa have been made orphans by AIDS.

Particular note must be taken of the HIV/AIDS epidemic sweeping across the continent as discussed in chapter 3. The human and social costs of the epidemic are enormous. Orphans, for example, are being created by the disease and the whole nature of childhood is changing fundamentally (Smart, 2003). Children are at increased risk of losing opportunities for school, health care, growth, development, nutrition, and shelter. Moreover, at the household level, the epidemic is causing incomes to dwindle and assets to shrink as breadwinners get sick and die. This, in turn, has resulted in family structures changing and households fragmenting, becoming poorer, especially those headed by grandparents or by children themselves (Smart, 2003). Children, in turn, are increasingly forced to take on decision-making roles within households and become independent of adults for production and income. This state of affairs has led some analysts, such as Bourdillon (2004, 102), for example, to argue for policy makers to embrace child labor and "pay attention to the specific perceptions and interests of children as targets of interventions for development and as agents in the subsequent changes."

African governments have been attempting to develop and implement policy to break the intergenerational cycle of disease and poverty that have so negatively affected the continent's children. Those attempts are reflected in their acceptance of the MDGs, in the promulgation of the NEPAD with its peer review mechanism, and the poverty reduction strategies. These three socioeconomic development initiatives complement each other and require only the will and commitment of the governments to stay the course and leverage the resources necessary to strengthen public sector delivery. Finally, African governments need to enhance the effectiveness of enforcement of child labor and trafficking laws; and scale up social service delivery, particularly to poor and other vulnerable households.

However, the actions of African governments alone will not save Africa's children from the risks and plights they face prior to and following their birth. African governments can provide the foundation to ensure that all children get the best possible start in life, but external partners must also honor their promises and commitments to provide more and better targeted aid, to improve the effectiveness of the aid provided.

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# Chapter 5

# Public Sector Management and Reform

In various phases, African countries have been engaging in efforts at public sector management reform. This is being done to overhaul their administrative systems to better serve the needs of both government and the citizenry with improved delivery of public services to reduce poverty, improve livelihoods, and sustain good governance. The African Development Bank (AfDB) has suggested that, to date, there have been three phases of such efforts at reform (AfDB, 2005). Those three phase or waves of reform have been identified as (1) focusing on fiscal consolidation, cost reduction, and containment measures within the framework of structural adjustment programs, including rationalizing the machinery of government; (2) emphasizing capacity building; and (3) focusing on improving service delivery. However, the most impactful of these reform efforts has been undertaken in the third phase within the framework of the new public management (NPM) paradigm and this chapter is concerned with those outcomes.

Since the 1980s, the NPM framework has been entrenched in theory and practice across the world. Many governments and several international organizations have embraced the NPM as the framework or paradigm through which governments are modernized and the public sector re-engineered to "strengthen the connections between government and the mechanisms, both in government and civil society, that are responsible for how well government works" (Armacost, 2000, v). Indeed, the NPM offers important lessons and analyses for public sector management throughout the world and African countries are no exception to the process of implementation of efforts aimed at achieving the outcomes embodied in the said NPM. This chapter explores the relationship between the basic framework of the NPM, as applied in practice to public sector reform in Africa, and discusses the impact stemming therefrom. I begin by first contextualizing the NPM concept.

## The Context of the NPM

The NPM represents the culmination of a revolution in public management that emerged in the 1980s. Rather than focusing on controlling bureaucracies and delivering services, public managers are now responding to the desires of ordinary citizens and politicians to be "the entrepreneurs of a new, leaner, and increasingly privatized government" (Denhardt and Denhardt, 2000, 549). As such, the NPM is clearly linked to the notion of trust in economic rationalism through the creation of public value for public money.

The NPM concept is centered on the proposition that a distinct activity—management—can be applied to the public sector, as it has been applied in the private sector, and that it includes a number of elements (Aucoin, 1990; Bale and Dale, 1998):

1. The adoption of private sector management practices in the public sector;
2. An emphasis on efficiency;
3. A movement away from input controls, rules, and procedures toward output measurement and performance targets;
4. A preference for private ownership, contestable provision, and contracting out of public services; and
5. The devolution of management control with improved reporting and monitoring mechanisms.

The basic foundation of the NPM is the use of the economic market as a model for political and administrative relationships. The institutional aspects of the NPM are heavily influenced by the assumptions of public choice theory, principal-agent theory, and transaction cost economics (Kaboolian, 1998). The NPM movement is driven to maximize productive and allocative efficiencies that are hampered by public agencies that are unresponsive to the demands of citizens and led by bureaucrats with the power and incentives to expand their administrative empires. In addition, the NPM makes a rigid formal separation between policy making and service delivery (Self, 1993; Kelly, 1998). It is used to describe a "management culture that emphasizes the centrality of the citizen or customer, as well as accountability for results" (Manning, 2000, 1).

According to the Public Management Committee of the OECD (1995) and as summarized by Mathiasen (1999), the NPM is aimed at fostering a performance-oriented culture in a less centralized public sector and is characterized by:

1. A closer focus on results in terms of efficiency, effectiveness, and quality of service;
2. The replacement of highly centralized, hierarchical structures by decentralized management environments where decisions on resource allocation and service delivery are made closer to the point of delivery, and which provide scope for feedback from clients and other interest groups;
3. The flexibility to explore alternatives to direct public provision and regulation that might yield more cost-effective policy outcomes;
4. A greater focus on efficiency in the services provided directly by the public sector, involving the establishment of productivity targets and the creation of competitive environments within and among public sector organizations; and
5. The strengthening of strategic capacities at the center to guide the evolution of the state and allow it to respond to external changes and diverse interests automatically, flexibly, and at least cost.

The NPM is also therefore related to the notion of re-engineering the public sector or the reinventing of government. Re-engineering is a management philosophy that seeks to revamp the process through which public organizations operate to increase efficiency, effectiveness, and competitive ability. It calls for changes in the structure of public organizations, their culture, management systems, and other aspects in support of the new initiative. In addition, it encompasses client-oriented, mission-driven, quality-enhanced, and exercise-participatory management, using resources in new ways to heighten efficiency and effectiveness (Barzelay, 1992; Osborne and Gaebler, 1992; Halachmi, 1995).

The NPM can also be regarded as a normative reconceptualization of public sector management consisting of several interrelated components. It emerged in response to the economic and social realities that governments everywhere have had to face during the past two decades (Borins, 1995). Those realities include:

1. Too large and expensive public sectors;
2. The need to utilize information technology to increase efficiency;
3. The demand by the public for quality service;
4. The general collapse of centrally planned economic systems which underscored the poor performance of government services worldwide; and
5. The quest for personal growth and job satisfaction by public sector employees (Borins, 1995; Commonwealth Secretariat, 1995).

Other intellectual and practical justifications for the NPM have also evolved along the lines of the New Public Service (NPS) being a mutually reinforcing and normative model of managing and service delivery in the public sector where values such as efficiency and productivity should not be lost, but should be placed in the larger context of democracy, community, and the public interest and, according to Denhardt and Denhardt (2000), be based on the following tenets:

1. Serve, rather than steer: Public servants should help citizens articulate and meet their shared interests, rather than attempt to control or steer society in new directions.
2. The public interest is the aim, not the by-product: Public managers should contribute to building a collective, shared notion of the public interest which should result in the creation of shared interests and shared responsibility.
3. Think strategically, act democratically: Policies and programs meeting public needs can be most effectively and responsibly achieved through collective efforts and collaborative processes.
4. Serve citizens, not customers: Public servants should not merely respond to the demands of "customers" but focus on building relationships of trust and collaboration with and among citizens.
5. Accountability isn't simple: Public servants should be attentive not only to the market but also to statutory and constitutional law, community values, political norms, professional standards, and citizen interests.
6. Value people, not just productivity: Public organizations and the networks in which they participate are more likely to succeed in

the long run if they are operated through processes of collaboration and shared leadership based on respect for all people.

7. Value citizenship and public service above entrepreneurship: The public interest is better advanced by public servants and citizens committed to making meaningful contributions to society rather than by entrepreneurial managers acting as if public money were their own.

All of the foregoing features of the NPM are being applied around the world, in a sweeping manner, as governments use the management reform process to reshape the role of the state and its relationship with citizens. That process, as Kettl (2000, 1–3) has summarized it, has embodied six core characteristics:

1. Productivity: How can governments produce more services with less tax money;
2. Marketization: How can governments use market-style incentives to root out the pathologies of government bureaucracy;
3. Service orientation: How can governments better connect with citizens to make programs more responsive to the needs of the latter;
4. Decentralization: How can governments make programs more responsive and effective by shifting programs to lower levels of government or shifting responsibility within public agencies to give frontline managers greater incentive and ability to respond to the needs of citizens;
5. Policy: How can governments improve their capacity to devise and track policy; and
6. Accountability for results: How can governments improve their ability to deliver what they promise.

These characteristics duly suggest that the NPM movement puts particular emphasis on seeking to solve problems that have to do with governance. Kettl (2000) has convincingly demonstrated that the governance issue here is derived from the implicit assumption that the government of the past century will not effectively tackle the problems of the next and the success or failure of the NPM movement will, ultimately, depend on how deeply its reforms become part of a nation's governance systems such as the political institutions and civil society. Seeking and/or maintaining good governance through the reform initiatives inspired by the NPM is the ultimate goal of this global public management revolution.

## The NPM and Public Sector Reform in Africa

Since the early 1980s, significant efforts have been made in sub-Saharan Africa toward the reform and transformation of public sector management. Those efforts have been driven primarily by the fact that state bureaucracies in Africa were under-performing; were invariably too large and corrupt; and lacked a sense of responsibility and accountability (Hope, 1997, 2002; Hope and Chikulo, 2000a). All societies need a capable public management structure to keep order, collect revenue, and implement programs. Although improving, many countries in the sub-Saharan Africa region still lack some of these public management endowments (Goldsmith, 1999). The specific factors influencing the NPM reforms in sub-Saharan Africa were derived from the crisis of governance that had plagued many of the countries in the region. Those factors have been thoroughly discussed elsewhere (Hope, 1997, 2002; Hope and Chikulo, 2000b; Bangura, 1999) and only a brief summary is offered below.

### Factors Influencing NPM Reforms

Perhaps the most influential factor was the economic/fiscal crises that many African states endured in the mid-1970s–1980s. Most of the countries have now started to grow economically again. However, for many, there are still ongoing concerns about balance of payments problems, the heavy burden of debt, the size of public expenditure relative to the existing sources of public revenue, and the increasing cost of delivering public services. These concerns about economic and fiscal matters led, in turn, to NPM reforms encompassing an assault on the active role played by the state in managing the economy and in the direct provision of services.

The second factor influencing NPM reforms in Africa was derived from the political forces in play in many of the countries. There existed a malfunctioning and unstable political order across many parts of Africa and, consequently, there was the need for the transformation of public management to create basic systems of governance, devise institutions that are more democratic, promote and build civil society, and reshape relationships with citizens (Hope, 1997, 2002; Kettl, 2000). In other words, it meant moving toward modes of public management that supported the rule of law, and transparent and accountable government, as well as a predictable legal framework with rules known in advance and a reliable and independent judiciary.

The next factor was the institutional one in the sense that complex institutional mechanisms existed that made it difficult to implement various policies in a timely and effective manner. Successive African governments had complained that standard bureaucratic procedures frequently handicapped their ability to respond effectively to global and national challenges. Indeed, part of the problem here was the changing role of the public sector in Africa and the rapid acceptance by governments of their new role in driving the re-engineering process. In this context, NPM reforms were aimed at creating management structures and institutional mechanisms within government that enhanced the capacity and capability for effective policy management and successful policy implementation.

The final factor that influenced NPM reforms in Africa came from the influence of international experiences. Larbi (1999) has argued that the wind of change toward market reforms and political pluralism that swept across the Western nations in the 1980s, and the collapse of the Soviet Union, had the sobering effect on crisis states— some of which were in Africa—that public sector management reforms needed to be undertaken. Indeed, much of the structural adjustment and other measures of economic liberalization and state restructuring that have been occurring in Africa since the 1980s were the direct result of such influences.

## The Nature and Impact of NPM Reforms

This section assesses the nature and impact of selected strategies of NPM reforms as applied to the public sector in Africa. Based on the content of the previous sections of this chapter, we can summarize a point of departure here, as Bangura (1999, 5) has done, as follows: "New public management reforms seek to reconfigure the relations between states, markets, and societies by giving prominence to market forces, managerial efficiency, and accountable government."

### Decentralization

A good summary of the concept of decentralization, including its costs and benefits, applicable to Africa can be found in Hope (2000, 2002) and Hope and Chikulo (2000b). Much of the decentralization that has occurred in Africa has been motivated by the political rationale that good governments are those closer to the people. The spread of multi-party political systems in Africa created demands for more local voice in decision making. Political changes have therefore given voice to local demands and the need to bring economic and political systems closer to local communities. Decentralization has a dual role in a national governance system. It can offer a significant check and balance against executive power and it can provide some advantages in the provision and delivery of some public services at the local level (Levy, 2007). Moreover, "decentralization is considered a means to achieve good governance in terms of a high level of public participation, accountability of public officials and low corruption, which is crucial for poverty reduction" (Steiner, 2007, 175).

Within the context of the NPM, decentralization was seen as the means through which governments would be able to provide high quality services that citizens value; for increasing managerial autonomy, particularly by reducing central administrative controls; for demanding, measuring, and rewarding both organizational and individual performance; for enabling managers to acquire human and technological resources to meet performance targets; for creating a receptiveness to competition and an open-mindedness about which public purposes should be performed by public servants as opposed to the private sector (Borins, 1994); for empowering citizens through their enhanced participation in decision making and development planning and management; for improving economic and managerial efficiency or effectiveness; and for enhancing better governance (Silverman, 1992). Decentralization was therefore seen as a crucial element of the institutional reforms of the public sector in Africa. It constituted a central pillar of the demands for restructuring the African state along more distributional lines (UNECA, 2003).

The primary modes of decentralization in Africa that are attributed to NPM reforms are deconcentration; delegation; devolution; and privatization. Deconcentration is the passing down of selected administrative functions to lower levels or subnational units within government agencies or departments. It is the least extensive form of decentralization. However, it is the most common form of decentralization employed in the agriculture services, primary education, preventive health, and population subsectors (Silverman, 1992). In Botswana, for example, the central government created and supervises district councils as well as a national Rural Development Council for the coordination and implementation of, among other things, rural development activities such as drought relief measures and agricultural development. Similarly, in Malawi, district assemblies and village development committees were established to deliver services and to identify and initiate projects that fit local development needs (Hussein, 2004).

Another popular method of deconcentration in NPM reforms was that of the breaking up of monolithic bureaucracies into agencies—the "agencification model" of public sector reform. Leaving aside, for the purposes of this work, the debate on whether agencification is a pure form of deconcentration or contains elements of delegation, the "agencification model" emerged as a choice mode of decentralization in many African countries. In South Africa, Ghana, Tanzania, and Zambia, for example, independent revenue authorities have been created with corporate outlooks on governance to increase the efficiency and accountability of tax collection beyond the bureaucracy of their Finance Ministries. Under this decentralized model, revenue collection has increased. The South African Revenue Service, for instance, collected 57 percent more revenues by 2000 compared to 1997 when it was established (Caulfield, 2006).

Delegation is the transfer of specific authority and decision-making powers to organizations that are outside the regular bureaucratic structure and that are only indirectly controlled by a government, such as parastatals, regional development corporations, and semi-autonomous agencies, for example. Delegation was seen as a way of offering public goods and services through a more business-like organizational structure that makes use of managerial accounting techniques normally associated with private enterprise. It has been used extensively in Africa. In Kenya, for example, pubic corporations were used to organize, finance, and manage large-scale agricultural projects such as tea production. In Lesotho, a parastatal was created to finance and manage a huge water development project in the country's highlands area. In Botswana and Ghana, autonomous hospitals with independent management boards were established to improve efficiency in service delivery; improve responsiveness to users' needs and preferences through market-based initiatives such as user fees; and reduce the financial and managerial burden of large hospitals on the health ministries (Maganu, 1990; Larbi, 1998, 1999).

Devolution is the granting of decision-making powers to lower authorities or managers and allowing them to take full responsibility without reference back to the authorizing government. This includes financial power as well as the authority to design and execute development projects and programs. Devolution is the strongest form of decentralization. Its essence is discretionary authority and it allows for the reduction of the levels of administration through which activities have to pass and no reference back to a central administrative machinery is required. Ghana, for example, put into place a public financial management program that gave managers greater control of their budgets (Larbi, 1999). Ethiopia also devolved very extensive legislative, executive, judicial, and fiscal powers to the regional authorities (Koehn, 1995); and Benin, Guinea, and Mali successfully devolved decision making to the district level, under the Bamako Initiative, instituting community financing for an essential package of sustainable local public health services (Mehrotra, 2006).

Decentralization, through devolution, provided a mechanism that enabled the population to participate in the process of governance, as well as a framework for allowing the community's interests to be represented in government decision-making structures (Hentic and Bernier, 1999). It was therefore a key element of NPM-type reforms. The more participatory the decision-making process, the more legitimacy it acquires in the eyes of all observers both domestic and international. The success of the Uganda approach to decentralization, for example, has been attributed to strong political commitment which "has paved the way for an exemplary form of devolution . . . with transfer of far-reaching responsibilities for decision-making, planning and budgeting, finance and service provision to five tiers of local governments" (Steiner, 2007, 178).

Privatization is taken here to mean the transfer of operational control and responsibilities for government functions and services to the private sector—private voluntary organizations or private enterprises. From a wider perspective, privatization encompasses a wide range of policies to encourage private sector participation in public service provision and eliminate or modify the monopoly status of public enterprises (Rondinelli and Kasarda, 1993). Privatization can be a complex process, frequently involving choices between the need to improve financial and economic efficiency; political opposition and varying degrees of unpopularity; and distinguishing between sectors and services that are essentially in the public interest and those which should be hived off to the private sector (Hentic and Bernier, 1999).

Privatization in Africa has taken many forms. It has included the commercialization of government services that are contracted out to an outside agency; joint ventures between government agencies/ministries and private entities; the sale of some government services or functions, such as water supply or telecommunications, to the private sector; management contracts for the private sector to manage specific government functions or services such as postal services; the leasing of government assets that are used to provide public services; or the granting of concessions to private entities to operate and finance some public services delivery. During the past two decades, privatization has progressed globally and has come to be seen as highly desirable in

Africa (Hope, 2002). "The process has been prompted in many cases by economic necessity and enabled by the political changes occurring across Africa" (White and Bhatia, 1998, 1). However, privatization is more of a management reform issue than a political one.

The primary reason for pursuing privatization in Africa is that state-owned enterprises or parastatals tended to be loss-making and diverted scarce public funds that could have been put to better use in meeting other public policy goals such as better health care and education services. In addition, public enterprises generally suffered from extensive corruption and bureaucratic management structures that got in the way of efficient service delivery. The record indicates that in sub-Saharan Africa as a whole, the total sales value of privatization transactions increased from approximately US$1 billion during the period 1988–1993 to US$2.7 billion by the end of 1996 (White and Bhatia, 1998). Overall, the total number of public enterprises in sub-Saharan Africa is estimated to have fallen by about 37 percent between 1990 and 1995 (Sarbib, 1997). Between 1990 and 2003, privatization proceeds were estimated at US$11 billion, which represented 3 percent of the global value of transactions (Kikeri and Kolo, 2005). More recent data show that for 2004–2005 sub-Saharan Africa's privatization proceeds were US$975 million (Kikeri and Burman, 2007).

Africa's contemporary leaders have moved forcefully in the restructuring of their economies. Many countries, including Angola, Botswana, Ghana, Kenya, Mozambique, South Africa, Tanzania, Uganda, and Zambia, for example, have all launched extensive privatization programs. Some francophone countries, including Cameroon, Côte d'Ivoire, Gabon, and Senegal, have also completed major privatization programs involving their electricity, telecoms, water, and banking sectors (AfDB, 1999, 2005).

In the telecommunications sector, several countries, including Botswana, Ghana, South Africa, Uganda, and Morocco, for example, have concluded the privatization of their telecommunications enterprises. Particularly, in the area of wireless services, there has been considerable private sector activity through the bidding for operators' licenses. The electricity sector's privatization has primarily been by way of management contracts followed by leases and de-monopolization and build-own-operate (BOO). Countries such as Gambia, Ghana, Guinea, Mali, Rwanda, and Sierra Leone have opted for management contracts; lease arrangements are used in Côte d'Ivoire; and Morocco and Tunisia have independent power projects (AfDB, 1999).

The water and transportation sectors have also seen their share of privatization activities. In the water sector, the selected modality has been focused primarily on management contracts or leases. Some African countries, such as Cameroon, Côte d'Ivoire, Gabon, and Morocco, for example, have privatized their water sectors on the basis of competition for concessions. In the transportation sector, some contracting out of road maintenance had been in practice in Kenya for several years before being adopted in Algeria and other African countries. The Tanzania Railway Corporation divested itself of noncore operations and is under private management while Cameroon has concluded a concession agreement with a French-South African joint venture to run its railway facilities. In the Sudan and Senegal, locomotive repairs and maintenance have been contracted out. Also, in such countries as Nigeria, Mozambique, Togo, and Guinea, for example, ports and/or airports have been privatized through lease arrangements or management contracts. Some airlines, including Kenya Airways, Royal Air Maroc, Air Tunisia, and South African Airways, for example, have also been privatized through various modalities (AfDB, 1999, 2005).

Apart from infrastructure, privatization in Africa has also proceeded in other areas. Services in particular have been contracted out in significant numbers. In Botswana, for example, the parastatals have contracted out a number of services including those related to maintenance and security. Similarly, in Zimbabwe, non-clinical health services such as cleaning, laundry, catering, security, maintenance, and billing are contracted out, while some clinical services are contracted out on a limited scale (Larbi, 1999). Also, in Uganda, Tanzania and Ghana, for example, noncore state activities have been transferred to the private sector and greater corporatization of public sector activities is taking place (Hope and Chikulo, 2000b; Therkildsen, 2001).

Despite the fact that there are some obvious costs to decentralization (Hope, 2000, 2002), it has yielded significant benefits in those countries where properly implemented. In Africa, decentralization has drastically improved the reliability and delivery of services to the public including improved quality assurance. Moreover, through decentralization, and privatization in particular, the burden on government resources has eased somewhat leading to the use of those resources in other priority areas. For example, the privatization of Kenya Airways provided the Kenyan Treasury with US$76 million from the sale of 77 percent of its shares in 1996 and, due to enhanced efficiency and better performing management, some 400 new jobs were created (Samuel, 1999). South Africa and Mauritius have also had similar experiences with their privatization of South African Airways and Mauritius Telecoms, respectively.

Moreover, highly centralized forms of government generate administrative pathologies. Centralized states tend to be unresponsive to the needs of citizens. Restructuring the delivery of public services, by decentralizing functions and resources, thus became a central claim of the NPM based on the growing body of evidence indicating that the decentralization of government services can be far more efficient than their supply by bureaus. Undoubtedly, service delivery systems based on centralized bureaucracy have now been discredited and African governments have, commendably, been shifting their focus from hierarchy and control to participation and empowerment.

Decentralization in Africa has resulted in better governance; it has facilitated the development of more effective and efficient public sector management; it has increased popular participation in government; it has allowed for better mobilization and use of resources; and it has encouraged market-like responsiveness to the provision and consumption of public services (Hope, 2002). Its use as an instrument of NPM reforms can be expanded and deepened in Africa. Indeed, there is a growing momentum across the African continent for reform initiatives that shift resources, responsibility for service delivery, and accountability for results from central governments to more decentralized levels. In some cases, like Ethiopia and South Africa, for example, this has even been entrenched in federal-style constitutions.

## Civil Service Reform

During the 1980s, many African countries concluded that their civil services were not providing public goods and services in the most cost-effective and efficient manner. Consequently, reform of the civil service became necessary to pursue and maintain the path of economic liberalization and good governance that had become desirable. In this new century, African governments are also beginning to realize that the globalization wave dictates that further and deeper reforms of their civil services are required to successfully ride the rising tide of borderless economic activities encompassed in that globalization wave.

NPM-type reforms have been, and are being, applied to African civil services because these civil services were or are seen as unprofessional, often lacking capacity to solve the tough new problems of their governments; too bloated in size in relationship to their outputs; suffering from dysfunctional rigidity; lacking in, and not caring about, measurement of their performance; preoccupied with their own rules and practices rather than promoting, protecting, and serving the public interest; and, generally, being too corrupt and intent on maintaining their own patrimonial and territorial interests.

Although some African governments had, from time to time embarked on civil service reform, for the majority, the efforts became concentrated in comprehensive strategies that were included in the economic liberalization packages of structural adjustment and policy-based lending that were facilitated by the World Bank and IMF. The basic thrust of the reform process was, and continues to be, to build a professional, meritocratic, and qualified public workforce to ensure effective and efficient delivery of public services and combat bureaucratic corruption. Without such reform, the performance of the civil service and, hence, of their respective governments, will continue to be deficient. A government's performance can only be as good as the people who do its work. African governments, or any government for that matter, will perform poorly if there is a failure to recruit, retain, reward appropriately, and assure the integrity of highly skilled civil servants (Hope, 2002; World Bank, 2000; Kettl et al., 1996).

The key elements of the process of reform of the civil service in Africa have been centered around pay and employment measures; productivity enhancement; capacity building; training; improving accountability and transparency; and making management more effective. Pay and employment reform measures in Africa have been extensively discussed and documented (AfDB, 2005; Lindauer and Nunberg, 1994; Robinson, 1990; Lienert and Modi, 1997; and Goldsmith, 1999). Owing to the concern with the fact that two major contributors to bureaucratic corruption in Africa were the erosion and the compression of salary scales of civil servants, pay and grading reform was at the forefront of pay and employment measures in the attempts to reform the civil service (Hope and Chikulo, 2000a).

Pay and grading reform generally has five objectives: (1) an increase in overall real pay levels; (2) the decompression of pay scales to improve the competitiveness of civil service pay at higher levels; (3) a new grading system based on job evaluations; (4) the introduction of performance-based pay; and (5) the improvement of pay policy-making and administration (de Merode and Thomas, 1994). The experience of pay and grading reform suggests some success in outcomes. In Ghana, Mozambique, and Guinea, for example, the net pay compression ratio of the civil service improved; the ratio of the highest-paid echelon to the lowest-paid widened; and real pay improved spectacularly. Similarly, in Tanzania and Uganda, average civil service salaries have increased by 300 percent and 75 percent, respectively, in real terms, since the early 1990s (Clarke and Wood, 2001).

Additionally, several countries, including the Gambia, Ghana, Guinea, and Uganda, for example, have made considerable progress in simplifying their grading structures. That, in turn, has acted as a magnet to attract and motivate some top professionals including those with scarce skills such as physicians and accountants. Many countries have also been able to downsize their civil services and thereby reduce the number of surplus employees on the government payroll. A number of methods have been used in this regard including enforcing mandatory retirement ages, abolishing job guarantees for high school and university graduates, ensuring attrition through hiring freezes, the introduction of voluntary departure schemes, making outright dismissals, and eliminating "ghost" (fictitious) employees from the payroll (Hope, 2002). In Tanzania and Uganda, for example, the size of the civil service has declined by 23 percent and 55 percent, respectively, since the early 1990s (Clarke and Wood, 2001). Likewise, in Zambia, the size of the non-military public service dropped from 137,000 in 1997 to 103,000 by the end of 2000 without affecting front-line service providers such as nurses, teachers, and the police who were exempt from retrenchment (IMF and World Bank, 2000; AfDB, 2005).

Also, some countries, such as South Africa and Ghana, for example, moved toward competitive and open recruitment procedures with selection based on merit as an integral part of their employment reform measures. This helped to ensure that vacancies were filled on the basis of skills and competence rather than on other factors such as ethnicity and kinship, for example. Similar merit-based systems were put in place with respect to promotions. Merit-based promotions tend to attract more individuals into the civil service who have strong preferences for making an impact on their government's task of providing public goods. Together, merit-based recruitment and promotion serve as mutually reinforcing mechanisms to build commitment toward the goal of an efficient civil service. Other countries, such as Botswana, for example, have also decentralized some human resource management functions to ministries. Permanent Secretaries of these ministries are, among other things, empowered to appoint, promote, and discipline their staff members (Hope, 1999).

Productivity enhancement strategies in Africa are primarily aimed at bringing about a greater customer-orientation in goods and services delivery and an improvement in the quality of those goods and services delivered while at the same time creating a much more positive attitude toward work by the civil servants. In Botswana, for example, the government introduced a productivity and quality improvement program in 1993 by creating work improvement teams (WITS) within various institutions and departments of ministries. WITS were based on the Japanese framework of Quality Control Circles. Similar types of quality circles can be found in Mauritius (Hope, 1999, 2002). WITS are defined as groups of public servants from the same work unit, irrespective of divisional status, who meet regularly to identify, examine, analyze, and solve problems pertaining to work in their department or work unit; identify and examine improvement opportunities and propose and implement improvement measures; discuss and conduct exercises on how to improve their working environment, efficiency, effectiveness, quality of service, knowledge and skill, teamwork, work performance, use of resources, work goals, objectives and targets, systems, methods and procedures, and so on; develop problem-solving skills; and ensure job satisfaction (Hope, 1999).

The underlying framework of the WITS strategy was influenced by the need to increase productivity in the public service by, among other things, striving for an emphasis on people who are challenged, encouraged, developed and given the power to act and use their judgment; participative leadership and teamwork rather than authoritarian and coercive leadership; a strong client orientation rather than an orientation toward serving a bureaucracy; and a mind-set that seeks optimum performance. The objectives of WITS were to enhance team spirit and improve human relations; to develop a much more positive attitude toward work by employees; to create a free flow of communication between management and employees; to facilitate the provision of quality services; to develop problem-solving skills; and to ensure job satisfaction (Hope, 1999).

Other popular methods used for productivity enhancement in Africa were the introduction of performance management systems in government agencies and ministries and the use of performance contracts for individual employees and departments. Performance management systems are regarded as a means of getting results from individuals, teams, and the organization at large within a given framework of planned goals, objectives, and standards. It allows for the setting of targets and the development of indicators against which performance can be later measured. Performance management systems have been put in place in Uganda, South Africa, Tanzania, Botswana, and Ghana, for example.

Performance contracts or agreements specify standards of performance or quantifiable targets which a government requires public officials or the management of public agencies or ministries to meet over a stated period of time. At the end of the stated period, performance can then be measured against these standards or targets. Performance contracts have been used in a number of African countries, including

Ghana and Senegal, for example, particularly in their public enterprises. In fact, Senegal was the first country in francophone Africa to introduce performance contracting into its public enterprises in the early 1980s (Caulfield, 2006). Other countries, such as Botswana, for example, also employ performance contracts to measure and assess the performance of their civil servants with a focus on results relating individual performance to organizational goals and competence.

Capacity development has now taken center stage in what is regarded as the second stage of NPM-style reforms currently being implemented in Africa (see chapter 7). Capacity development has come to the fore because African governments and donors have come to recognize the centrality of capacity in the development process in the region. The need for capacity still exists in virtually all areas of the public sector in Africa. Consequently, capacity development is important to generate the capability for those countries to develop indigenous and self-reliant development policies and strengthen the interface between government, civil society, and the private sector. Developing capacity by creating a more flexible, performance-oriented civil service has been a common reform theme in sub-Saharan Africa (Caulfield, 2006).

Training became an integral part of the efforts to develop capacity in the African civil services. Many African countries now have institutes of public administration or administrative staff colleges to train their civil servants. Others, such as Botswana, have set up national productivity centers for training in productivity and quality improvement. Training provides an essential means through which African states can develop a career civil service in order to modernize and develop. As argued by Agere (1999), the strengthening of the civil service is an integral part of policy reform which can best be accomplished through the use of civil service training institutes that have a mandate to train civil servants in the management of the new responsibilities linked to good governance and economic liberalization. However, as discussed in chapter 7, capacity development entails much more than training.

An emphasis on improving accountability and transparency can be found in most civil service reform efforts in Africa. Anticorruption measures and the development of codes of conduct for public officials are two strategies most prevalent in that regard and, in some countries, such as Uganda, they are encompassed in national integrity systems (Hope, 2002; Hope and Chikulo, 2000a). In both cases, the intent was to bring about a stronger allegiance to the nation-state and, hence, a commitment to the national interest rather than to personal and sectional interests; and produce civil servants who are vigilant, upright, honest, and just. In other words, they were meant to instill an atmosphere of public accountability and ethical behavior in civil servants so that they respected not only their obligations to be honest, obey the laws, and behave within the confines of bureaucratic rules and regulations, but also to demonstrate the highest standards of personal integrity, honesty, fairness, justice, and openness.

Making management more effective entails providing public managers with the necessary tools to deliver public services in a more efficient and cost-effective manner. This includes management structures and institutional mechanisms that improve policy development, coordination, and implementation for better public sector outcomes. In addition to the need to have some control over human and financial resources, public managers in Africa have also been provided with efficiency tools such as better management information systems. Indeed, major improvements have been achieved through the use of information technology for efficient revenue collection, financial management and accounting, and interdepartmental communication systems (Kaul, 1996). In countries such as South Africa, Ghana, Nigeria, and Mauritius, for example, operational and management control systems were put in place (Odedra, 1993). These are applications that were designed to improve operations, management control, and decision-making capabilities. In Tanzania, for instance, it was determined that civil service reform resulted in transformation and innovation with "a fully functioning state-of-the-art system, including ICT-based systems for payroll and human resources management and integrated public finance management. Furthermore, the service has a clear vision and mission to propel Tanzania to prosperity and glory in the 21st century" (Rugumyamheto, 2004, 441).

Reforming the civil service in Africa through NPM-style strategies was, ultimately, intended to make the civil service accountable, transparent, and responsive to the public in the delivery of public goods and services. The lessons of experience of civil service reform in developing countries, including those in Africa, suggest some mixed results with the application of strategies from the NPM menu (Manning, 2000). However, this ought not to have been surprising to anyone familiar with the African scene where there are varying levels of capacity and institutional frameworks for implementing development policy. Indeed, the application of NPM-style reforms was intended to rectify some of these deficiencies and improve civil service performance. Undoubtedly, many countries in Africa have benefited tremendously from civil service reform based on NPM-style activities

(Hope, 2002). In particular, civil service wage bills have declined, there is greater penetration of information technology, and the concentration of bureaucratic power at the expense of accountability and transparency has diminished considerably in most countries. Nonetheless, like the developed countries, reforming the civil service in Africa is a work in progress and better assessment indicators will be available in the next few years as the second stage of reform measures take hold.

## State Transformation

During the past few decades, state transformation has rapidly occurred in both the developed and developing countries, including in Africa. That transformation revolves around the nature and division of responsibility within and beyond government, and the extent to which the delivery of public goods and services is being met (Thynne, 2000). The fundamental change is related to the manner in which countries pursue growth and/or development, moving to a mode of operation where the state conducts itself more like the private sector through reforms such as those suggested by the NPM. As discussed in chapters 6 and 8, Africa has moved on to adopting and practicing principles for an enabling environment that is founded on a state that works.

Since there is overwhelming evidence of a positive correlation between economic liberalization and development, the challenge for African countries has been one of unshackling their economic markets to further the process of liberalization and create the environment required for development to be sustained. This challenge takes on even greater importance now in the context of globalization, which refers to a world in which national economies, producers, and investors increasingly behave as if the world economy is borderless and consists of a single market and production area with regional or national subsectors, rather than a set of national economies linked by trade, investment, and financial flows (Hope, 2002).

To that end, many African countries have been putting in place modes of administration that avoid the errors of their previous statist frameworks. Under the best of circumstances, state intervention in Africa was found to retard economic growth, restrict economic development, and often result in famine, starvation, malnutrition, and general deterioration in the quality of life (Hope, 2002). In other words, the state became an obstacle to development. State transformation in Africa now entails a re-dimensioning with the aim of creating what can be called a capable state with “smart government” or “modernized government." That is, the type of government that focuses on its strategic roles with an organizational design and managerial setup that permit it to perform its roles in an optimally effective and efficient manner.

In a capable state, the public sector and other branches of government are empowered to provide an enabling environment for economic growth, poverty reduction, and good governance. The capable state represents the means through which a government meets its basic obligations to its citizens and provides essential services. It is a crucial foundation for effective programs to tackle poverty, improve livelihoods, and sustain good governance (UNECA, 2002). A capable state, as opposed to a "failed state," is also a precondition for African countries to effectively engage in enhanced partnerships with their international development partners. State transformation in Africa, as part of the continent's overall public sector management reforms, is aimed, among other things, at sustaining a capable state.

## Conclusion

The application of NPM-type reforms in Africa, despite their mixed results, has, from my point of view, been mostly successful. Agreeably, there still exists bureaucratic corruption in some countries, for example. However, Hope (2002) and this volume cite data that indicate that many African economies have been recording positive rates of economic growth during the past several years, foreign investment is returning, and the size and costs of running government are declining. These are all positive indicators and they did not emerge through divine intervention. They are, undoubtedly, the result of policy reforms, primarily NPM-type reforms, which have been implemented during the past two decades. In Tanzania, for example, many senior officials support the application of the NPM approach not only because of intellectual conviction but because it stressed the improvement of service delivery and the empowerment of citizens (Morgan and Baser, 2007). In addition, "the NPM offered Tanzanian decision-makers a coherent and comprehensive approach to reform. Given the wish to go forward with a transformation of the public service, the NPM offered a plausible methodology for accomplishing that goal" (Morgan and Baser, 2007, 19).

Public sector reform never goes out of style (Caiden and Sundaram, 2004). Over the next several years, and assuming no major policy reversals, there will be even further gains recorded as a result of the application of the next stage of NPM-type reforms. Consequently, the conclusion here is that there is an improving performance of the state in Africathat, in no small measure, is attributable to NPM-type reforms and the drive toward a capable state and good governance that such reforms contribute to (see chapter 6). NPM-type reforms have allowed African governments to begin or to conclude the process toward institutionalizing a competent, efficient, and accountable system of public service and governance.

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# Chapter 6

# Good Governance and Sustainable Development: The New Partnership for Africa's Development and the African Peer Review Mechanism

During the past two decades and beyond, Africa was described by various commentators as a continent betrayed, deprived, in chaos, in plight, in self-destruction, in crisis, shackled, existing in name only, being predatory or kleptocratic, collapsed into anarchy or viciousness, and being plundered (Ayittey, 1993, 1998; Hope, 2002a; Hope and Chikulo, 2000; Houngnikpo, 2006; Mbaku, 2007; Schwab, 2001; Guest, 2004). These are but a few of the colorful negative images painted about a continent that lacked the capacity and willingness to implement a sustained policy environment conducive to, among other things, good governance, entrenchment of democracy, peace and security, growth and development, and poverty reduction. However, a new generation of enlightened African leaders decided in the new millennium to stake Africa's claim to the twenty-first century and help facilitate the continent's quest to fulfill its promise of better development performance. In that regard, they produced a framework plan entitled the New Partnership for Africa's Development (NEPAD).

The NEPAD was previously known as the New African Initiative (NAI). It is a consolidation of two proposals—the Millennium Partnership for the African Recovery Program (MAP), which was being driven by the governments of South Africa, Algeria, and Nigeria, and the OMEGA Plan for Africa, which was being driven by the government of Senegal. It also drew on the *Compact for African Recovery: Operationalizing the Millennium Partnership for the African Recovery Program,* which was prepared by the United Nations Economic Commission for Africa (UNECA). In July 2001, African leaders endorsed the merger of the MAP and the OMEGA Plan into a single program, which became known as the NAI. In October 2001, African leaders agreed to rename the initiative as the NEPAD.

The NEPAD emanated from the view that Africans and Africa hold the key, and have the capacity, to extricate themselves from poverty and global marginalization. Moreover, it was recognized that this needed to be done with some urgency to stake Africa's claim to the twenty-first century. At the beginning of the twenty-first century, per capita income in sub-Saharan Africa was well below the level reached in 1980. In other words, the majority of the countries on the continent were worse off than they were two decades previously. Despite being one of the most richly endowed regions of the world, Africa still remains the poorest continent in the world (see chapter 1).

To accomplish the objectives and outcomes of the NEPAD, African leaders also agreed, among other things, to subject their countries to peer review through the use of a unique and innovative African Peer Review Mechanism (APRM). The APRM covers issues, codes, and standards pertaining to governance and sustainable development. It is used to assess the performance of African countries in terms of their compliance with a number of agreed codes, standards, and commitments that underpin the good governance and sustainable development framework.

This chapter analytically describes and assesses the NEPAD initiative and its APRM framework as tools for achieving and sustaining good governance and sustainable development in Africa. It contends that the NEPAD and its peer review represents a sea change in the thinking of African leaders as they seek to reverse the trend of lack of accountability, political authoritarianism, state failure, and corruption to embrace and consolidate democracy as well as effect sound and transparent economic management. In addition, it is further argued that the peer review process would provide a number of benefits, over the medium- to long term, to those countries that subject themselves to it and that, in turn, would have positive multiplier effects on Africa's development performance.

## The NEPAD Initiative, Good Governance, and Sustainable Development

According to President Thabo Mbeki of South Africa, the NEPAD will be the instrument through which the twenty-first century will become known as truly an African one, a century which will be seen by historians as one in which "Africa has at last emerged from a long period of darkness and fear into one of light and a dream fulfilled" (Mbeki, 2001, 1), an Africa where "through our persistent efforts we have redefined ourselves into something other than a place of suffering, a place of wars, a place of oppression, a place of hunger, disease, ignorance, and backwardness" (Mbeki, 2001, 1). In particular, the continent will be regarded as having demonstrated "the reality of a new African, who having refused to be conditioned by circumstances imposed by a past of slavery, colonialism, neo-colonialism, racism, and apartheid, has succeeded to create a new world of peace, democracy, development, and prosperity" (Mbeki, 2001, 1).

Before the NEPAD, the African landscape had been littered with many failed initiatives, development plans, and other programs of action. Those initiatives, such as the Lagos Plan of Action in the 1980s, for example, failed to be implemented for a number of reasons, including the lack of political commitment, lack of synergy with required political and economic reforms, lack of ownership, lack of political will, and lack of resources (Aluko-Olokun, 2001). They were also extensively driven and influenced by the politics of the Cold War era. "For decades, the United States, the Soviet Union, and France propped up dictators who served their interests [rather than the interests of their fellow Africans]—men like Ethiopia's Mengistu Haile Mariam, Somalia's Mohamed Siad Barre, Rwanda's Juvénal Habyarimana, and the former Zaire's Mobutu Sese Seko" (Connell and Smyth, 1998, 80).

The NEPAD, on the other hand, represents a pledge by African leaders, based on a common vision and a firm and shared conviction that they have a pressing duty to eradicate poverty and to place their countries, both individually and collectively, on a path of sustainable growth and development, and at the same time to participate actively in the world economy and body politic. It is therefore anchored on the determination of Africans to extricate themselves and the continent from the malaise of underdevelopment and exclusion in a globalizing world. In other words, it is an attempt at a homegrown solution to overcoming Africa's marginalization in the world economy and international affairs, while improving the standard of living of the African people.

The NEPAD captures a set of core principles as preconditions for Africa's renewal (NEPAD Secretariat, 2001). These are (1) good governance; (2) entrenchment of democracy, peace, and security; (3) sound economic policy making and execution; (4) productive partnerships; (5) domestic ownership and leadership; (6) acceleration of regional and continental integration; and (7) building the competitiveness of African countries and the continent. It is an initiative that is governed by a Heads of State and Government Implementation Committee (HSGIC), which is comprised of twenty members with four drawn from each of the five subregions of the continent—East Africa, West Africa, Southern Africa, North Africa, and Central Africa.

Since the NEPAD initiative was adopted by African leaders, the NEPAD Secretariat has developed, in collaboration with other partners, a number of policy frameworks and action plans for priority areas and sectors. All of these frameworks were adopted by the African Union (AU) Assembly after consideration and modification by African experts and government ministers. Among those endorsed by the AU were a Health Strategy, an Education Action Plan (EAP), a Comprehensive Africa Agriculture Development Program (CAADP), an African Infrastructure Consortium (AIC), an Environment Action Plan, and a Capacity Building Strategy.

It can be noted that good governance, in all its facets, has been demonstrated to be positively correlated with the achievement of better growth rates, and particularly through the building of institutions in support of markets. Recent empirical analysis suggests a positive correlation between democratic governance and the levels of income, investment, human capital, economic liberalization, and distributive income growth in society (Tavares and Wacziarg, 2001). Indeed, some analysts have successfully argued that good governance, and particularly its aspects of democratic consolidation, is a *sine qua non* for development. Consequently, the new maxim for Africa in the twenty-first century should be "no democracy, no development" (Zack-Williams, 2001, 221).

Similarly, former United Nations (UN) Secretary-General Kofi Annan has said that "good governance is perhaps the single most important factor in eradicating poverty and promoting development" (United Nations, 1998, 13). Moreover, a former Kenyan vice president has also noted that "good political and economic governance underpins sustainable development" (Saitoti, 2002, 257). And, a former president of the African Development Bank (AfDB) has emphasized that "good governance is not only a worthy goal per se but also a prerequisite for sustainable development and poverty reduction in the longer term" (Kabbaj, 2003, 7), while a former executive secretary of the United Nations Economic Commission for Africa (UNECA) has proclaimed that "good governance is essential for the political and economic transformation of Africa" (Amoako, 2000, 155).

Governance has to do with the manner in which responsibility is discharged. Such a responsibility may be acquired through election, appointment, or delegation in the public domain or in the area of commerce—corporate governance. Therefore, good governance is taken here to mean a condition whereby such responsibility is discharged in an effective, transparent, and accountable manner whereas bad governance is associated with mal-administration in the discharge of responsibility (Abed, 2001). Good governance entails the existence of efficient and accountable institutions—political, judicial, administrative, economic, corporate—and entrenched rules that promote development, protect human rights, respect the rule of law, and ensure that people are free to participate in, and be heard on, decisions that affect their lives.

The NEPAD initiative's framework document recognizes the salient importance of good governance for achieving sustainable development in Africa and it sets out principles pertaining to the strengthening of democracy and political governance as well as economic and corporate governance. On democracy and political governance, it states that development is impossible in the absence of democracy, respect for human rights, peace, and good governance. The purpose of the principles here is to contribute to the strengthening of the political and administrative framework of African countries, in line with the principles of democracy, transparency, accountability, integrity, respect for human rights, and promotion of the rule of law (NEPAD Secretariat, 2001).

The necessity for institutional reform has been recognized to drive the process forward, given the capacity limitations across African countries (see chapter 7). As identified in the NEPAD framework document, the institutional reforms to strengthen political governance in Africa will need to focus on (1) the administrative and civil services; (2) the strengthening of parliamentary oversight; (3) the promotion of participatory decision making; (4) the adoption of effective measures to combat corruption and embezzlement; and (5) the undertaking of judicial reforms (NEPAD Secretariat, 2001). These five areas of focus have been exhaustively discussed in Hope and Hamdok (2002). Suffice it to say here that for the first time in post-independence Africa, the African leaders themselves are pointing to the shortcomings of the institutional structure over which they preside directly or have much say.

Institutions, and public institutions in particular, have been a failure in Africa. Many of these institutions have been captured by the elite to serve narrow personal interests. The resultant effect has been the lack of the ability of the state to provide the requisite institutional framework to support good governance. In too many African countries, both the public and private sectors do not operate according to widely accepted rules that are transparent and enforced by accountable institutions. Consequently, the challenge for African policy makers, under the NEPAD, is to shape policies and institutional development in ways that enhance good governance and sustainable development.

With respect to economic and corporate governance, the NEPAD framework document states that the objective here is to promote a set of concrete and time-bound programs aimed at enhancing the quality of economic and public financial management, as well as good corporate governance (NEPAD Secretariat, 2001). Good economic and corporate governance is good for Africa. Countries attract more investment and achieve higher rates of per capita growth where the state improves certain basic aspects of its performance. A state that applies rules and policies predictably and fairly, ensures order and the rule of law, and protects property rights will generate confidence and attract more domestic and foreign investment. That, in turn, generates trade and faster economic growth as well as provides the wherewithal for sustainable development (Hope and Hamdok, 2002).

Here again the role of institutions looms large. The existence of weak institutions of economic and corporate governance, as a constraint on sustainable development in Africa, had become clear and convincing. This, accordingly, limited the public sector in the fulfillment of its economic functions. Those economic functions can be broadly classified into three distinct categories: (1) making and implementing economic policy; (2) delivering services; and (3) ensuring accountability for the use of public resources and public regulatory power (World Bank, 2000). Institutions are needed to maintain fiscal and monetary discipline, mobilize resources, and set priorities among the competing demands for those resources as integral aspects of the making and implementation of good economic policy. Similarly, institutional arrangements are required for the efficient delivery of public services that are also pro-poor. In addition, there must be institutional mechanisms that ensure accountability through the capacity to monitor and enforce rules and to regulate economic activities in the public interest. However, regulatory frameworks should be minimal, simple, and easy to implement (Saitoti, 2002).

Good governance is worth pursuing in its own right in Africa. Much has been observed and volumes have been written about the deleterious effects of bad governance in Africa. Through the NEPAD, a new generation of enlightened leaders is aiming to reverse that trend. Respect for human rights and democratic principles, honest and good quality administration, and protecting the rights and freedoms under the rule of law are concerned with values that apply equally to every state and citizen. Democracy, for example, is a universally recognized ideal, based on values common to people everywhere regardless of cultural, political, social, or economic differences (IPU, 1997). These transcend the functional importance of aspects of good governance, such as for sustainable development (Scientific Council for Government Policy, 2001).

President Thabo Mbeki of South Africa has argued quite convincingly, for example, that Africa wishes to realize the goal of good governance, in all its elements, "not because we seek to improve our relations with the rest of the world as a first objective, critically important as this is, but to end political and economic mismanagement on our continent, and the consequential violent conflicts, instability, denial of democracy and human rights, deepening poverty and global marginalization" (Mbeki, 2002, 2). Nonetheless, as noted above, the various components of good governance are also necessary and functional for sustainable development processes.

Quite clearly, growth and development cannot be achieved in the absence of good governance. Among other things, good governance ensures the most efficient utilization of already scarce resources in the promotion of development; enhances participation, responsibility, and accountability; and has the potential to emancipate people from poverty as state legitimacy is recognized and entrenched. As a matter of fact, any effort to reduce poverty and sustain development must start with and build upon good governance (Hope, 2002a). Good governance can therefore be also regarded as governance on behalf of development-oriented policy.

According to UNDP (2002), good governance advances sustainable development for three reasons. First, enjoying political freedom and participating in the decisions that shape one's life are fundamental human rights. In those African countries where leaders are not elected or selected by election (Libya, for example), choices are severely restricted. The denial of these rights is a denial of human development. Second, good governance helps to protect people from economic and political catastrophes such as famines and other crises (Sen, 2002). There is a direct correlation between bad governance and famines, for example, in Africa. In other words, those countries frequently suffering from famines in Africa tend not to have good governance. Third, good governance can promote sustainable development by empowering citizens to influence policies that promote growth and prosperity and which reflect their priorities.

It has also been empirically demonstrated that good governance does matter for national economic growth and development. "In particular, a political system characterized by freedom and stability is best suited to promoting a growth-oriented economic agenda" (Feng, 2003, 295). In addition, it has been empirically shown that the effects of governance on national income and economic performance in Africa are significant. Democratic institutions, for example, were found to systematically enhance the performance of African states as agents of development by, among other things, countering temptations for politically opportunistic behavior—such as economically incoherent policies, ineffective implementation, and the abuse of public resources for private gain relative to the provision of welfare-enhancing public goods—that is economically damaging (Alence, 2004). Similarly, others have shown that the quality of governance is positively associated with economic growth and development (Kaufmann and Kraay, 2002; Siegle et al., 2004).

However, despite the empirical evidence supporting the positive relationship between good governance and sustainable development on the one hand, and the attempt by African leaders, through the NEPAD, to make that relationship a reality in Africa, on the other hand, the NEPAD framework has been the subject of some criticism and Afro-pessimism. But, interestingly enough, no credible alternative plan to the NEPAD has so far been put forward by its critics or pessimists. The key criticisms are usually focused around pessimism given Africa's culture of corruption and neo-patrimonial rule; its history of human rights abuses, rigged elections, and coups; the notion that partnerships between Africa and the West are unworkable given the dominance and influence of the latter; and the perception that civil society had not been properly consulted in the drawing up of the NEPAD framework document. With respect to the latter issue, it must be said first that a lack of proper consultation with some interested parties does not necessarily render the content of an outcome document as irrelevant. Secondly, without taking sides on the validity or lack thereof with respect to the criticisms, Africa's leaders found themselves in a "damned if they do, damned if they don't" position.

They were damned for not demonstrating leadership to solve Africa's development problems and then, having done that by launching the NEPAD, they were damned for not consulting others to demonstrate their leadership.

The fact of the matter is that the NEPAD potentially constitutes the most important advance in African development policy during the past four decades. Moreover, it is a homegrown initiative for development based on a set of core principles that have been embraced by national, regional, and international public opinion as being preconditions for the renewal of the African continent. As this work also shows, the NEPAD has been endorsed and supported by the international community including the G8 countries and multilateral and bilateral organizations such as the World Bank, the African Development Bank (AfDB), the International Monetary Fund (IMF), the UN, the Organization for Economic Cooperation and Development (OECD), the European Union (EU), the United States Agency for International Development (USAID), the Department for International Development (DFID) of the United Kingdom (UK), and others. In fact, the NEPAD framework now forms the basis upon which much of Africa's donor support is based. For example, the work of the Commission for Africa (CFA), established by former Prime Minister Tony Blair of the UK, has as one of its objectives: "To support the best existing work on Africa, in particular the New Partnership for Africa's Development (NEPAD) and the African Union, and help ensure this work achieves its goals" (CFA, nd, 1). Indeed, the CFA Report, entitled *Our Common Interest,* provides an analytical summary of Africa's needs and the resource requirements to meet them based on NEPAD priorities (CFA, 2005). Moreover, it ought to be accepted by all critics and Afro-pessimists—in the spirit of the good governance that they presumably seek for Africa—that the weight, responsibility, and accountability for leadership on the continent ultimately rests with those who sought election and were democratically elected by the majority of their fellow citizens.

## The Peer Review Concept and the African Peer Review Mechanism

To accomplish the objectives and the outcomes of the NEPAD, African leaders have also agreed, among other things, to subject their countries to peer review through the use of a unique peer review mechanism. The APRM is an African-led innovation representing a bold approach to reform for building capable states with enduring good governance and sustainable development. It is designed to monitor and assess the progress made by African countries in meeting their commitment toward achieving good governance, social reforms, and sustainable development. It also provides a platform for countries to share experiences with a view to fostering good governance and democratic processes. But before going further on the APRM, it is useful to set the stage for the rest of the discussion to follow by first examining the concept of peer review.

## What is Peer Review

Peer reviews were pioneered by the OECD. Since its creation as an institution, the OECD has successfully used this method of assessment of the performance of its member states. In addition, several other intergovernmental and international organizations, such as the EU, UN bodies, and the IMF, use peer review to monitor and assess national policies and performance in several sectors (OECD, 2003).

Peer review refers to the systematic examination and assessment of the performance of a state by other states (peers), by designated institutions, or by a combination of states and designated institutions (OECD, 2003; UNECA, 2002; Hope and Hamdok, 2002). The ultimate goal is to assist the reviewed state to improve its policy making; adopt best practices; and comply with established standards, principles, codes, and other agreed commitments. Peer review examinations and assessments are conducted in a non-adversarial manner, and they rely heavily on the mutual trust and understanding between the state being reviewed and the reviewers, as well as their shared confidence in the process (OECD, 2003).

The international experience shows that peer reviews can be conducted based on subject areas or themes. For example, an individual country peer review could relate to economics, governance, education, health, the environment, or other policies and practices. Within one or more of these subject areas, a state may be examined against a wide range of codes and standards for compliance, for example (OECD, 2003). Similarly, several countries can be examined at the same time with respect to a particular theme such as "Combating Corruption for Sustainable Development," for instance (Hope and Hamdok, 2002). However, whether based on subject areas or themes, individual country peer reviews are typically undertaken on a regular basis with each review exercise resulting in a report that assesses accomplishments, indicates shortcomings, and makes recommendations. They usually do not entail sanctions or a punitive decision, but they can lead to embarrassment and negative market reactions such as lower levels of investment or exchange rate fluctuations biased against the national currency.

Nonetheless, related to the concept of peer review is the concept of peer pressure. According to the OECD (2003) and Ito (2002), the effectiveness of peer review relies on the influence of peer pressure—that is, the persuasion exercised by the peers. The peer review process can give rise to peer pressure through, for example: a mix of formal recommendations and informal consultations by peer countries; public scrutiny, comparisons, and ranking among countries; and the impact of the foregoing on public opinion, policy makers, and other stakeholders. The lessons of peer reviews conducted in the developed countries suggest that the greatest impact is derived when the outcomes of peer reviews are put in the public domain. It is that public scrutiny that is most likely to influence change and bring about corrective actions. In addition, the East Asian experience suggests that peer pressure provides an effective incentive to commit member countries to perform the required activities and take the necessary actions for common policy objectives (Wang and Yoon, 2002).

## The APRM

The UNECA originally developed the APRM in response to a request by the NEPAD HSGIC. Its (the APRM's) mandate is to ensure that the policies and practices of participating states conform to the agreed political, economic, and corporate governance values, codes, and standards contained in the *Declaration on Democracy, Political, Economic and Corporate Governance* that was approved by the AU Summit in July 2002 (NEPAD Secretariat, 2002a). The APRM is a mutually agreed instrument for self-monitoring by the participating member states. It is voluntarily acceded to by member states of the AU (NEPAD Secretariat, 2003a).

The primary purpose of the APRM is to foster the adoption of policies, standards, and practices that lead to political stability, high economic growth, sustainable development, and accelerated regional economic integration through the sharing of experiences and the reinforcement of successful and best practices, including identifying deficiencies and assessing the needs for capacity building. This is to be accomplished by using the relevant indicators contained in the APRM to measure and determine the progress of peer-reviewed countries in meeting the goals of achieving good governance and sustainable development. The overarching goal of the APRM is for all participating countries to accelerate their progress toward adopting and implementing the priorities and programs of the NEPAD, achieving the mutually agreed objectives and compliance with best practice in respect of each of the areas of good governance and sustainable development (NEPAD Secretariat, 2003a). As articulated by Chris Stals—a member of the APR Panel, which is discussed below—the application of the APRM, and the resultant "recommendations, are not meant to punish or exclude countries; the main objective is to help each country to identify its own weaknesses, and to find ways and means for addressing the shortcomings" (Stals, 2004, 5).

Every peer review exercise undertaken under the authority of the APRM must be technically competent and free of political manipulation. It must comply with the mandate of the APRM referred to above. These stipulations together constitute the core guiding principles of the mechanism. And, with respect to the process and procedures for the application of the APRM, the NEPAD HSGIC has approved four distinct organizational components and five stages (NEPAD Secretariat, 2003b). The first organizational component is the Committee of Participating Heads of State and Government (the APR Heads of State Forum), which is the highest decision-making authority in the APRM with overall responsibility for the said APRM. The APR Heads of State Forum is comprised of those Heads of State and Government of the member states of the AU who have voluntarily chosen to accede to the APRM. The next organizational component is the Panel of Eminent Persons (APR Panel). This is an independent body that oversees the day-to-day functioning of the peer review process and ensures the credibility and integrity of that process. The third organizational component is the APR Secretariat, which provides the secretarial, coordinating, and administrative support services for the APRM through the APR Panel. The final organizational component is the APR Teams that conduct the actual technical assessments that then constitute the country peer reviews.

The functions of the APR Heads of State Forum include but are not limited to (1) appointing the APR Panel and its Chairperson; (2) considering, adopting, and taking ownership of country peer review reports; (3) communicating the recommendations of the APR Heads of State Forum to the peer reviewed countries; (4) exercising peer pressure to effect changes in country practice where recommended; (5) persuading development partners to provide technical assistance to eliminate capacity gaps as recommended by the country peer review reports; (6) transmitting peer review reports to the appropriate AU structures; and (7) making public, through the APR

Secretariat, country peer review reports and press releases pertaining thereto.

The functions of the APR Panel include but are not limited to (1) exercising oversight of the APR process, including providing leadership to country review teams, with a view to ensuring the independence, professionalism, and credibility of that process; (2) overseeing the selection of the APR teams and appoint them to conduct country reviews; (3) recommending appropriate African institutions or individuals to conduct technical assessments; (4) reviewing and adopting the country peer review reports including the recommendations contained therein; and (5) submitting to the APR Heads of State Forum all country peer review reports with recommendations on measures that could be taken to assist the reviewed countries in the improvement of their governance and socio-development performance.

The functions of the APR Secretariat include (1) providing secretarial and administrative support services to the APR Panel under the direct supervision of the Chairperson of that Panel; (2) organizing regional networks and workshops for the sharing of experience and best practice related to the goals of achieving good governance and sustainable development; and (3) ensuring full documentation of the peer review processes at country, subregional, and continental levels to facilitate mutual learning; maintaining a database and information on the APRM process and the political and economic developments in all participating countries; (5) facilitating technical assistance to participating countries; (6) planning and organizing country review visits; and (7) proposing performance indicators and tracking the performance of each participating country.

The APR Teams are responsible for conducting the technical country assessments that comprise the country peer reviews. Credible and technically competent institutions, such as the UNDP, the UNECA, and the AfDB, have been selected to assist with some of the peer review technical assessments. The UNECA assists with the technical assessments in economic governance and management, while the AfDB assists with banking and financial standards, for example. The APR Panel selects other credible and technically competent institutions or individuals to undertake the peer review assessments in other areas.

As mentioned before, there are five stages to the peer review process. Stage One entails a careful analysis of the governance and development environment in the country being reviewed. Key governance and development issues are analyzed to provide background information with respect to political representativeness and rights, institutional effectiveness, and economic management and governance. Political representativeness and rights cover issues of political systems and electoral processes, representation, and participation of various stakeholders in decision making. Institutional effectiveness includes issues related to the nature and workings of the legislative, judiciary, and executive branches of government, as well as the state of the nongovernmental sector. Economic management and governance addresses issues of macroeconomic management, public financial accountability, monetary and financial transparency, accounting and auditing systems, and regulatory oversight bodies, as well as issues of capacity, effectiveness, and accountability of the economic decision-making and service delivery systems.

Stage Two constitutes the country visits by the peer review technical assessment teams. This stage is informed by the analysis prepared in Stage One. The technical assessment teams consult and extensively interview relevant government officials, parliamentarians, opposition party members not in parliament, private sector representatives, representatives of civil society groups (including the media, academia, trade unions, and nongovernmental organizations) and officials of resident missions of regional and international organizations.

Stage Three involves the preparation of the peer review reports based on the technical assessments conducted in Stage Two. A draft of each report is discussed with the government concerned, prior to submission to the APR Panel. Those discussions are designed to ensure the accuracy of the information and to provide the government an opportunity to react to the findings and recommendations of the assessment team. These responses of the government are appended to the final draft of the report. However, each report remains independent and its findings cannot be altered or vetted by the government concerned.

Stage Four entails discussion and adoption of the peer review reports by the APR Panel first, followed by the APR Heads of State Forum. This stage terminates when the Chairperson of the latter communicates the decisions and recommendations to the government of the country peer reviewed.

Stage Five is the formal and public tabling of the peer review reports in key regional and subregional structures and, in particular, the AU structures. These reports are also put in the public domain.

The NEPAD HSGIC has also approved a number of indicators, based on key objectives, that are used to assess and measure performance in the four peer review areas of (1) democracy and political governance; (2) economic governance and management; (3) corporate governance; and

(4) socioeconomic development (NEPAD Secretariat 2003a). The key objectives for democracy and political governance include (1) prevention and reduction of intra- and intercountry conflicts; (2) the consolidation of constitutional democracy, including periodic political competition and opportunity for choice, the rule of law, a Bill of Rights, and the supremacy of the constitution being firmly established; (3) promotion and protection of economic, social, cultural, civil, and political rights as enshrined in all African and international human rights instruments; (4) upholding the separation of powers including the protection of the independence of the judiciary and of an effective parliament; (5) ensuring accountable, efficient, and effective public office holders and civil servants; (6) fighting corruption in the political arena; (7) promotion and protection of the rights of women; (8) promotion and protection of the rights of the child and young persons; and (9) promotion and protection of the rights of vulnerable groups, including displaced persons.

The key objectives for economic governance and management are (1) promoting macroeconomic policies that support sustainable development; (2) implementing transparent, predictable, and credible government economic policies; (3) promoting sound public finance management; (4) fighting corruption and money laundering; and (5) accelerating regional integration by participating in the harmonization of monetary, trade and investment policies among participating states.

The key corporate governance objectives are (1) providing an enabling environment and effective regulatory framework for economic activities; (2) ensuring that corporations act as good corporate citizens with regard to human rights, social responsibility, and environmental sustainability; (3) promoting the adoption of codes of good business ethics in achieving the objectives of the organization; (4) ensuring that corporations treat all their stakeholders in a fair and just manner; and (5) providing for accountability of corporations and directors.

The key objectives for socioeconomic development are to (1) promote self-reliance in development and build capacity for self-sustaining development; (2) accelerate socioeconomic development to achieve sustainable development and poverty eradication; (3) strengthen policies, delivery mechanisms, and outputs in key social development areas such as education for all and the combating of HIV/AIDS and other communicable diseases; (4) ensure affordable access to water, energy, finance, markets, and information and communication technologies to all citizens; (5) make progress toward gender equality, particularly equal access to education for girls at all levels; and (6) encourage broad-based participation in development by all stakeholders at all levels.

The 2002 AU Summit also approved the frequency of peer reviews. Specifically, there will be four types of peer reviews. The first country review, being the base review, will be undertaken within 18 months of a country becoming a member of the APRM. The second type is the periodic review that should take place every two years. The next type is a requested review where a member country can, for its own reasons, ask for a review that is not part of the periodically mandated reviews. The final type amounts to an imposed review and may be resorted to by the HSGIC if there is sufficient cause to conclude that there are early signs of impending political and/or economic crises in a member country.

Despite the fact that participation in the APRM is open to all member states of the AU on a voluntary basis, there is now a somewhat more bureaucratic and unnecessarily cumbersome process that countries have to contend with. The APRM has evolved from its original technically straightforward framework to become a somewhat more burdensome administrative process. Nonetheless, this eventuality does not seem to have particularly influenced the desire and decision by the member states to seek participation in the process. This is probably not surprising since, undoubtedly, countries that are actually peer reviewed stand to reap a number of benefits as discussed in the next section. It should be noted here that, in November 2002, a total of twelve countries had originally declared their intent to be peer reviewed. Those countries were Algeria, Republic of Congo, Egypt, Ethiopia, Gabon, Ghana, Mali, Mauritius, Mozambique, Nigeria, Rwanda, and South Africa. As of late 2007, a total of twenty-six countries—including the additional fourteen of Angola, Benin, Burkina Faso, Cameroon, Kenya, Lesotho, Malawi, São Tomè and Principe, Sudan, Senegal, Sierra Leone, Tanzania, Uganda, and Zambia—had signed the Memorandum of Understanding which represents the basic framework for formal accession to the APRM (NEPAD Secretariat, 2002b, 2003c, 2003d, 2003e, 2007a). Other countries are expected to accede in time. However, Ghana, Rwanda, and Kenya will be noted in Africa's economic and political history as the first three countries on the continent to be reviewed under the APRM, with Ghana leading the way as the first. By November 2008, more than sixteen countries are expected to be processed (NEPAD Secretariat, 2007b). The final reports of all the countries that have been peer reviewed to date are publicly available on the Web site of the NEPAD Secretariat.

## Benefits of the APRM: An Analytical Assessment

Given the international experience with peer reviews, the APRM—as a mechanism for measuring and monitoring progress toward good governance and sustainable development in Africa—has the potential to provide a number of benefits to those African countries that subject themselves to it and, through multiplier effects, to the continent as a whole. Peer reviews have been demonstrated to have a number of beneficial effects as applied across the world. As African countries seek to improve their governance and march toward sustainable development, peer reviews can provide the basis for policy changes to meet commitments and to observe the agreed standards and codes.

Indeed, peer reviews will facilitate the monitoring of compliance with the agreements entered into upon accession to the APRM. States are much more inclined to comply when they know their implementation is monitored, and when the implementation of their peers is being monitored as well (Henning, 2003). Given the history and resultant disastrous effects of bad governance in Africa, with a lack of openness and rampant corruption, acceding to peer review represents a sea change in the thinking of African leaders and a major milestone in the political development and history of the continent. Below, we concentrate on five key areas where peer reviews will add value and enhance the prospects for African states to achieve good governance and sustainable development.

### Greater Transparency

Following Kondo (2002), transparency is taken here to mean that reliable, relevant, and timely information about the activities of government is available to the public. Associated with transparency is the concept of openness whereby public participation in shaping and implementing government policy is encouraged and guaranteed. Transparency in government is a good thing, for governments in Africa have the most potential for going awry given their monopoly on force and power and the ease with which some use and abuse that force and power. Where there is transparency, government officials will be prevented from exercising discretionary powers. Transparency therefore complements and reinforces predictability, reduces uncertainty, and inhibits and reduces the scope of corruption among public officials (Siegle et al., 2004).

The APRM is being particularly applied to democracy and political governance issues and economic and corporate governance issues. In both cases, transparency looms large. The openness of the political space is a critical barometer of the nature of democracy in a given country. Similarly, in the economic sphere, the extent of fiscal transparency provides a very solid indication of the manner in which budgets (expenditures and revenues), for example, are crafted, reconciled, and implemented. Determining the nature of transparency in government operations and functioning in Africa will expose the shortcomings, and any deliberate secrecy or misreporting, of government operations.

Transparency in government operations, and particularly in Africa, has several dimensions (Kopits and Craig, 1998). The first dimension consists of mainly behavioral aspects, such as clearly established conflict-of-interest rules for elected and appointed officials, a transparent regulatory framework, open public procurement and employment practices, a code of conduct for public officials, and freedom-of-information requirements. The next is the provision of reliable information on the government's economic policy intentions and forecasts. The third is the requirement for detailed data and information on government operations, including the publication of a comprehensive budget and other planning and policy documents. In all three dimensions, transparency is closely associated with the successful implementation of good governance and the achievement of sustainable development.

The APRM, to the extent that it enhances transparency in African countries, will acknowledge democratic progress and scorn antidemocratic measures. Consequently, it will confer or withhold international recognition and raise or lower the domestic legitimacy of governments (Henning, 2003). Moreover, transparency increases the political risk of unsustainable policies, whereas the lack thereof means that such policies can go undetected longer than they otherwise would. Generally, countries characterized by a relatively high degree of transparency have exhibited greater political and economic discipline and, in many instances, have been able to achieve a more robust political and economic performance compared to countries with less transparent policies even within a same region (Henning, 2003).

This positive correlation between transparency and good governance has also been empirically demonstrated across the spectrum of both developed and developing countries. Some research has shown, for instance, that governments that are more transparent govern better as measured by a wide number of governance indicators such as government effectiveness, regulatory burden, corruption, voice and accountability, the rule of law, bureaucratic efficiency, contract repudiation, and expropriation risk (Islam, 2003). And, since better governance has also been empirically demonstrated to be correlated with higher growth rates, it can be extrapolated that there is a close relationship between greater transparency and how fast economies grow (Islam, 2003). Botswana, for example, is internationally recognized for its substantial degree of transparency with a liberal democratic political system and a prudent and open budgetary process (Hope, 2002a; Kopits and Craig, 1998). As a consequence, Botswana continues to experience political and macroeconomic stability with strong growth. The country has consistently been one of the fastest growing in the world with an annual average growth rate of GDP of 8.3 percent during the period 1975–2006 compared to an annual average of 3.1 percent for all of Africa and –0.7 percent for sub-Saharan Africa during the same period (UNDP, 2006; United Nations, 2007).

That relationship between transparency, good governance, and growth in Botswana is further reflected in the growth competitiveness index (GCI) of the World Economic Forum. The GCI is composed of three subindexes identified as pillars in the evolution of growth in a country: the quality of the macroeconomic environment, the state of public institutions, and the level of technological readiness. The GCI uses a combination of hard data, such as inflation rates, budget deficits, the level of Internet access in schools, and survey data in areas such as judicial independence, the prevalence of institutionalized corruption, and the extent of inefficient government intervention in the economy (Lopez-Claros, 2004). Botswana has consistently ranked in the top five among all African countries in the overall GCI as well as in the macroeconomic environment and public institutions subindexes.

## Improved Public Accountability

Transparency is also vital for accountability. In fact, a system of government that is transparent is also likely to be accountable. Accountability means that systems are in place and are facilitated by public institutions to hold public officials to account for their behavior, actions, and decisions. Public accountability is needed to guarantee political, as well as, economic and financial freedom. Where governments and/or corporations are corrupt, resources will be misallocated. And, the scarcer those resources, as they are in Africa, the greater the cost to the economy and the more harm done to the development process (Braga de Macedo et al., 2002).

A system of public accountability is required so that public officials and governments act in ways that are broadly approved by society. Accountability is fundamental to any society with pretensions to being democratic. Put in another stronger way, being democratic requires a suitable system of accountability. Public institutions are created by the public, for the public and need to be accountable to it (Hughes, 1994). The concern with public accountability expresses the continuing need for checks, oversight, surveillance, and institutional constraints on the exercise of power. The guiding idea of public accountability is to control the abuse of power, not to eliminate the exercise of power where legitimate (Schedler, 1999). Related to public accountability is the notion of responsibility. Responsibility refers to those rules that influence the behavior of public officials in ways that encourage them to be responsive to public demands and act in the interest and welfare of citizens (Hyden, 1998).

The APRM will expose any deficiencies in accountability by public officials in African countries. The governance record in Africa indicates that public accountability is still in need of improvement (UNECA, 2005). The shortcomings with respect to public accountability in Africa are directly attributable to the fact that neo-patrimonial rule is a core feature of politics and development management in some African countries. Whereas personal authority and relationships occur on the margins of all bureaucratic systems, they represent much of the very foundation and superstructure of political institutions in some countries. Consequently, although neo-patrimonial tendencies can be found in all polities, it was practiced with some flair in those countries (Bratton and van de Walle, 1997; Hope, 2002a).

Neo-patrimonial rule entails individual rule by virtue of personal prestige and power; personalized authority determined by the preferences of the ruler rather than the laws of the land; attempts to ensure the political stability of the regime and personal political survival by providing a zone of security in an unstable or uncertain environment; and the selective distribution of favors and material benefits to loyal followers who are regarded and treated as clients (Bratton and van de Walle, 1997; Callaghy, 1986). That patrimonial nature of some African public officials had considerably undermined good governance in the region. Personalistic rule is characterized, for example, by incumbents using national resources, which of course they controlled, to purchase loyalty and thus maintain a monopoly on power. Absolutely no distinction was made between personal and public property.

The application of the APRM will determine where public accountability is faulty and what should be done to improve it. Improved public accountability will improve the democratic political order in Africa as well as the prospects for achieving sustainable development. The manner in which public accountability has been handled in Africa in the past, under patronage regimes, has stalled the development of the continent (Hyden, 1998). Peer reviews will result in greater public debate on many issues of governance, including public accountability. Public scrutiny and peer pressure will then provide the impetus for conscious efforts at improving public accountability.

## Enhanced Policy Coherence

Coherent policy for sustainable development is derived from good governance. Those African countries that have pursued market-led policy reforms have made better development management choices and improved their economic performance. Africa has a past of some policy development and policy implementation that have not favored growth and development. Indeed, some of those distorted policies benefited certain influential groups.

Developing and implementing coherent policies is a requirement of good governance and sustainable development. By the 1980s, the primacy of policy as the basis for encouraging and sustaining development had come to be widely accepted among those concerned about promoting development (Grindle and Thomas, 1991). And, nowhere was policy reform and coherence more needed than in Africa, a region that muddled along through ad hoc and incoherent policy implementation that led to the 1980s and 1990s being referred to as its lost decades of development. Because citizens lose confidence in a government that is unable to develop and implement coherent policies for improving well-being and sustaining development, the degree to which a government is able to carry out these functions can be a key determinant of a country's ability to sustain good governance (Brinkerhoff and Crosby, 2002).

By subjecting themselves to peer review, African countries will have their policy decisions and their application scrutinized. Consequently, peer review will tip the domestic political scales in favor of progressive, outward-looking policy and against retrograde choices. The result can be a substantial positive bearing on policy outcomes (Henning, 2003). Peer reviews will therefore stimulate better policy choices and lead to policy change. When such change occurs, relationships at various levels and among stakeholders are shifted. A new array of policy winners and losers emerges (Brinkerhoff and Crosby, 2002). However, with better policy choices, society wins and the prospects for achieving good governance and sustainable development are improved.

## Smarter Partnerships

"The need for partnership is most obvious in the daunting challenge of achieving sustainable development, which is predicated on the equally daunting challenge of maintaining good governance" (Brinkerhoff, 2002, 3). Among other things, partnerships in international development positively enhance the effectiveness and efficiency of development efforts; provide a means of developing strategic coordination and implementation; create access to crucial resources and rationalize their use; engender stability and potential government legitimacy, provide technological advantages and cost savings; bring about goodwill within the citizenry upon whose support both external development partners and governments rely; and promote deeper and wider public participation and representation in the decision-making for development outcomes (Brinkerhoff, 2002). Partnerships therefore not only enhance development outcomes, whether qualitatively or quantitatively, but also produce synergies, where those outcomes as a whole are greater than the sum of what individual partners contribute (Brinkerhoff, 2002). As a matter of fact, these partnerships and cooperative arrangements have now become a significant aspect of the emerging system of global governance providing collective capacity to identify and solve problems on a global scale (Slaughter, 2003).

An important aspect of the NEPAD is its emphasis on the development of smarter partnerships between Africa and its bilateral and multilateral partners. The overall objective is to improve effectiveness in development cooperation primarily through better practice in the aid relationship, delivery, and reporting systems. Partnerships are also being sought through private sector entities in such areas as agro-industries, tourism, human resource development, and in addressing the challenges of urban renewal and rural development (NEPAD Secretariat, 2001).

Through the peer review assessments, African countries have agreed to fight corruption, strengthen their institutions, adopt market-oriented policies, respect human rights and the rule of law, and spend more on the needs of the poor. By so doing, they also expect to get the support of the rich countries with trade, aid, investment, and debt relief. Indeed, the APRM has generated a positive echo among Africa's major external development partners, who have pledged to honor their side of the bargain by providing enhanced financial assistance and greater facilitation of trade and investments (Joseph, 2002).

In particular, the G8 countries, at their 2002 Summit, released a *G8 Africa Action Plan* as an initial response to the NEPAD and the APRM. The Plan is designed to encourage the imaginative effort that underlies the NEPAD and to lay a solid foundation for future cooperation. It welcomed the commitment made by Africa's leaders in emphasizing good governance and human rights as necessary preconditions for Africa's recovery, as well as the focus on investment-driven economic growth and economic governance as the engine for poverty reduction (G8 Summit, 2002).

In support of those objectives, the G8 have undertaken, in their individual and collective capacities, to establish enhanced partnerships with those African countries whose performance reflects the NEPAD commitments. Their African partners will be selected on the basis of measured results with a focus on those countries that demonstrate a political and financial commitment to good governance and the rule of law, investing in their people, and pursuing polices that spur economic growth and alleviate poverty. The G8 will match the commitment of the African countries with their own commitment to promote peace and security in Africa, to boost expertise and capacity, to encourage trade and direct growth-oriented investment, and to provide more effective official development assistance.

Furthermore, the APRM process will be used by the G8 countries to inform their considerations of eligibility for enhanced partnerships (G8 Summit, 2002). This approach was again confirmed in a press release following the February 2003 meeting of the G7 Finance Ministers and Central Bank Governors (Russia not being present), which stated that "Consistent with the G8 Africa Action Plan, we are ready to provide substantial support to African countries that implement [the] New Partnership for Africa's Development (NEPAD) principles and are committed to improving governance and demonstrate solid policy performance" (Government of Canada, 2003a, 2). In addition, at their meeting in May 2003, the same Finance Ministers and Central Bank Governors issued a Working Paper on aid effectiveness in which they proclaimed that "With respect to Africa, we renew our support to the NEPAD process and look forward to progress in the implementation of the African Peer Review Mechanism, including its governance aspects. We will ask the IFIs [International Financial Institutions] to look for opportunities to coordinate their monitoring and surveillance mechanisms with NEPAD's own work" (Government of Canada, 2003b, 5). Subsequent G8 Summits have reiterated and reaffirmed their support for the NEPAD with pledges of increased development assistance to those countries that implement sound policies consistent with the recommendations of the APRM (G8 Summit, 2007).

In that same spirit, but preceding the June 2002 G8 Summit, President George W. Bush announced in March 2002 the creation of a Millennium Challenge Account (MCA) devoted to projects in nations that govern justly by upholding the rule of law, rooting out corruption, protecting human rights and political freedoms; that invest in their people through investment in education and health; and that encourage economic freedom through open markets, sound fiscal and monetary policies, appropriate regulatory environments, and strong support for private enterprise. The goal of the MCA initiative is to reduce poverty by significantly increasing economic growth in recipient countries through a variety of targeted investments (USAID, 2002).

The MCA also signals a new relationship between donors and recipients. Implementation will be based on a genuine partnership between the United States and the recipient country. If fully implemented, the initiative would represent one of the largest increases in foreign aid spending in half a century, outpaced only by the Marshall Plan following the Second World War and the Latin American-focused Alliance for Progress in the early 1960s (Nowels, 2003). Through to FY 2007 twenty African countries have been selected as eligible MCA nations (MCC, 2007). It is expected that the majority of the African countries will eventually be eligible for participation in the MCA and, like the application of the APRM, some of the same performance indicators will be used. Specifically, sixteen indicators in the three categories have been chosen for measuring performance under the MCA. They are (1) governing justly—to include control of corruption, voice and accountability, government effectiveness, rule of law, civil liberties, and political freedom; (2) investing in people—to include public primary education spending as a percent of gross domestic product (GDP), primary education completion rate, public expenditure on health as a percent of GDP, immunization rates: diphtheria, pertussis, and tetanus (DPT) and measles; and (3) promoting economic freedom—to include country credit rating, inflation, three-year budget deficit, trade policy, regulatory policy, and days to start a business (Nowels, 2003).

Smarter partnerships for African countries are therefore on the horizon. The APRM and the MCA complement each other and offer a new compact for development by tying increased assistance to performance and creating a results-based process in which African countries will derive benefits based on performance and measurable achievements that impact favorably on governance and sustainable development. Countries that have embraced good governance, as required by acceding to the ARPM, provide a much more conducive environment for smarter partnerships.

The APRM has also received very favorable responses from the EU, European employers' associations (which hope for more public-private partnerships in Africa), the OECD, the World Bank, the IMF, and the UN (European Parliament, 2003). The UN not only endorsed the NEPAD and its APRM but also validated their principles to a very high degree. For example, in September 2002, the UN General Assembly decided that the UN's own policies for Africa will henceforth be based on the NEPAD goals.

## Deeper Private Capital Flows

Private capital flows are widely recognized as a powerful motor and major catalyst for sustainable development, poverty-reducing growth, and integration into the global marketplace. Countries with better policies, including good governance, attract the largest increases in private capital flows. Good governance is now recognized as a crucial prerequisite for well-functioning markets and, hence, for attracting investment and a sustainable allocation of investment capital (Ögütçü, 2002; Hope and Hamdok, 2002). It means, therefore, that predictable rules of the game are required to attract both domestic and foreign long-term private investment. Private investment, in turn, is a necessary ingredient for employment generation and spurring economic growth.

During the period 1990–2004, private sector capital formation in sub-Saharan Africa averaged about 13 percent of GDP and fell far short of that in other parts of the world. More recent data show that sub-Saharan Africa's share of the global inward stock of foreign direct investment (FDI) flows has halved since 1980, from 4 percent to 2 percent by 2005. Moreover, by 2005, per capita ODA in sub-Saharan Africa was US$48 compared to FDI inflows of US$22 per capita (UNCTAD, 2005; UNDP, 2006; World Bank, 2007). Apart from the low share of FDI inflows into Africa, it is also characterized by considerable imbalances. The oil and mineral-dependent countries have accounted for an average of 75 percent of annual FDI flows to the continent over the past two decades.

The performance of Africa with respect to attracting private capital flows can be placed squarely on the general international perception that most countries in Africa were risky places to invest. This perception is derived, without a doubt, from the fact that governance in Africa, although improving in many states, is generally considered to be bad (Hope, 2002b). Consequently, effective governments and efficient markets are both essential if African countries are to reap the benefits of globalization and to make that process work for the poor. Private capital, for example, is highly mobile and will go where business can be conducted safely and where it can make the best return. Weak and ineffective African states, with problems of corruption, inadequate infrastructure, and cumbersome bureaucratic procedures for business start-ups, will not be an attractive destination for those flows (Hope and Hamdok, 2002).

Reaping the gains from globalization is the antithesis of economic marginalization, to which Africa has been subjected for decades. Much has been written about the economic marginalization of Africa. However, the research findings on the benefits of globalization are now beginning to emerge. Those findings are indicating that globalization is a powerful engine of world prosperity and, more importantly, it is here to stay. Bhalla (2002), for example, has empirically demonstrated that the living standards of poor people have increased during the past two decades at a pace faster than average living standards; that globalization has been a force for higher growth and prosperity for most and, in particular, for those at the bottom economic half of the world's population; and that inequality in several regions, as well as the world itself decreased in the 1980s and 1990s with world inequality today at its lowest ever or at least since 1910. Nonetheless, most African countries have not yet been able to benefit from globalization, to the extent they could, due to past bad governance, as manifested in their development policies in the 1970s and 1980s.

Through peer review, Africa is hoping to reverse its status as a marginalized continent. Indeed, it is contended in this work that peer review provides the opportunity for African countries to demonstrate their commitment to good governance and policy reform that will make them attractive places for private capital flows. While the empirical relationship between robust peer review mechanisms and private capital flows needs more study, it can be expected that peer review, to the extent it enhances transparency and fosters market-consistent policy reform, would positively affect investment decisions and capital flows (Henning, 2003). In fact, Sachs (2004) argues that by being peer reviewed and improving their governance systems, rather than perpetuating corruption and misrule, African countries will be able to benefit from specific and well-targeted investments that would provide the foundation for self-sustained growth. Private capital flows have to be won. Demonstrating that an enabling environment exists, or is being created, to accomplish that would be facilitated through the application of the APRM to cover reform in such areas as corporate law, contract law, labor law, bankruptcy, and property rights (UNIDO, 2004).

The Commission on Capital Flows to Africa (CCFA), for example, has noted that the APRM's inclusion of review indicators such as autonomy of the central bank, effectiveness and enforcement of competition regulation, enactment and enforcement of effective anti-corruption and anti–money laundering laws, and protection of property rights, among others, "will enhance Africa's ability to attract the private capital that is crucial to long-term sustainable development and to Africa's full participation in globalization" (CCFA, 2003, 21).

## Conclusion

The NEPAD with its APRM constitutes a bold and imaginative attempt to launch a total assault on the endemic problems of bad governance and unsustainable development, with overwhelming poverty, that have been confronting Africa for several decades. The APRM, in particular, is being used as a means for openly and honestly assessing strengths and weaknesses; for monitoring progress toward building capable states, with strong institutions, for sustainable development and improved governance structures; for peer learning; and for the sharing of best practices. It "utilizes a strong comparative advantage of NEPAD, its democratic roots and aspirations, to provide a forum that speaks with an African voice to African nations" (Kanbur, 2004, 10).

The development and application of the NEPAD with the APRM represents a sea change in the thinking of African leaders, the majority of whom, heretofore, were prone to inward-looking perspectives and exhibited a lack of concern with good governance. As demonstrated in this chapter, peer review will confer many benefits on African countries, and the continent as a whole, thereby leading to better governance and improvement in development performance. The APRM is an idea whose time has come. Ideally, it would also allow for the interests of external development partners and African countries to converge. Indeed, this is the case with respect to both the *G8 African Action Plan* and the Millennium Challenge Account of the United States. Moreover, as Alence (2004) brilliantly observed, the end of the Cold War has driven an environment in which democracies are much more likely to be rewarded with resources and legitimacy, while governments that are nondemocratic are finding the international community to be more hostile toward them. For Africa, "the New Partnership for Africa's Development, with its emphasis on democracy and good governance, reflects an emerging inclination among some African governments to embrace those [former] tendencies" (Alence, 2004, 178–79).

Africa is the most aid-dependent, most indebted, as well as the most marginalized region of the world. Through the NEPAD and APRM processes, African leaders are determined to convince the skeptics and Afro-pessimists that they (the African leaders) have indeed become the architects of their own destiny, offering African solutions, which are universally embraced, to African problems. Undoubtedly, the link between the APRM and the sustainability of the continent's development is an important one, as Africa's access to development assistance and investment is increasingly dependent on requirements such as good governance.

However, the success in the application of the APRM will be dependent on the extent to which it (the APRM) remains free from political and bureaucratic manipulation. As noted in this work, the insertion of a heavily bureaucratic hierarchy into the conduct of the peer reviews may dilute both the impact as well as general acceptance (regionally and internationally) of those peer reviews. It is therefore imperative that the technical institutions charged with assisting in conducting the peer review assessments use their expertise and reputations to influence the manner in which the reviews are ultimately done to ensure that all of the peer reviews continue to be credible and internationally acceptable.

In that regard, it should be kept in mind that accession to the APRM is voluntary. Consequently, only those African countries that volunteer to be peer reviewed will in fact be peer reviewed. Those countries that have not acceded to the APRM, however faulty their governance structures and practices may be, will continue to function in a manner inconsistent with the ideals of the NEPAD. And that, in turn, may unfortunately lead some cynics to view the APRM as simply a marketing ploy by some African governments to convince western donors to increase their aid to the region. Nonetheless, as a critical element of NEPAD, the APRM has the potential to prevent or limit the existence of failed states in Africa, while contributing to the creation of much more capable states, through its ability to improve the quality of governance and economic performance in participating states (Maass and Mepham, 2004). Among other things, failed states exhibit flawed institutions, neo-patrimonialism, deteriorating or destroyed infrastructure, flourishing corruption, declining national income, and loss of legitimacy (Rotberg, 2004). Such states would require the application of remedial measures of the type entailed through the APRM process.

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# Chapter 7

## Addressing Capacity Deficits

This chapter is concerned with the problem of capacity deficits. Ownership without the corresponding capacity to benefit from it must be regarded as meaningless. The existence of capacity deficits in Africa is seen as a pressing problem that could contribute to the derailment of the progress made in development performance in many African countries during the past few years, and which will also significantly hamper progress toward the potential attainment of the Millennium Development Goals (MDGs) and, hence, sustained development on the continent.

Several studies and reports have now shown that most of the African countries will not meet most of the MDGs by 2015 (AU, 2005; CFA, 2005; UN, 2005, 2007; UNDP, 2003; UNECA, 2005; World Bank and IMF, 2004, 2005, 2007). In fact, from a regional perspective, sub-Saharan Africa is the only region that remains behind on most of the MDGs and will fall short of meeting the 2015 targets. However, the news is not all bad as this book shows. Despite capacity deficits across the continent, with the implications for sustainable development, there is some encouraging news that can be found in some countries and which is due in part to a commitment to new development principles (see chapter 6).

Nonetheless, capacity deficits are a region-wide challenge in Africa, and they must be addressed if Africa is to fulfill its promise. In fact, the NEPAD is the first development initiative for the continent that explicitly recognized the role of capacity in the development effort. The NEPAD framework document (NEPAD Secretariat, 2001, 19) notes that:

> State capacity building is a critical aspect of creating conditions for development. The state has a major role to play in promoting economic growth and

development, and in implementing poverty reduction programs. However, the reality is that many governments lack the capacity to fulfill this role. As a consequence, many countries lack the necessary policy and regulatory frameworks for private-sector led growth. They also lack the capacity to implement programs even when funding is available.

The NEPAD framework document further states that: "It is for this reason that targeted capacity-building should be given high priority. Programmes in every area should be preceded by an assessment of capacity, followed by the provision of appropriate support" (NEPAD Secretariat, 2001, 19). This chapter examines and discusses the problem of capacity deficits in Africa within the context of prospects and challenges for sustainable development in Africa. The chapter also offers some suggestions for actions to be implemented, including effective partnerships among the major stakeholders, to develop capacity in Africa.

## Capacity Deficits in Africa

It is useful and prudent to begin here by defining what is meant by capacity. Following on Hope (2006), I define capacity as the competency of individuals, public sector institutions, private sector entities, civil society organizations, and local communities to engage in activities in a sustainable manner that permit the achievement of beneficial goals such as poverty reduction, efficient service delivery, good governance, economic growth, effectively facing the challenges of globalization, and deriving the greatest possible benefits from such trends as rapid changes in information technology and science.

A number of reputable publications and reports have stated that there are serious capacity deficits in Africa (ACBF, 2005; CFA, 2005; Hope, 2002b, 2005; World Bank, 2005a; Levy and Kpundeh, 2004). With visits to public hospitals, the courts, or government ministries in many African countries, it becomes quite obvious that those institutions and the governments responsible for them are seriously lacking in their capacity to deliver the basic services they are required to offer. One is able to observe, for instance, that the infrastructure is appalling, the staff complement is insufficient, that staff do not always seem sure of what they are required to do and how to do it (limited knowledge), that the technology is archaic and of limited value, that necessary supplies are not available, and that simple tasks require long waits and return visits and may even entail a bribe for successful completion. Moreover, given this state of affairs, it would also be a plausible conclusion that there is probably no credible plan or the means to effect an improvement in capacity.

In addition, we can deduce from the economic and governance performance of some African countries during the past several decades that they were indeed suffering serious capacity deficits. In other words, in many African countries capacity was diagnosed as weak. Of course, the extent and nature of some capacity deficits—such as those pertaining to governance, for example—can also be gleaned from such indicators as corruption indices that are comparable across countries. Capacity influences and, in turn, is influenced by a number of development factors. Below, I discuss the principal ones contributing to capacity deficits in Africa.

## Poverty

Poverty in Africa has been discussed in chapters 1 and 4. According to UNIDO (2004, ix), “sub-Saharan Africa is the last frontier in the fight against abject poverty” and, as shown in this book, poverty indices are beginning to improve in many of the countries. However, Africa’s poverty status is significantly influenced by the fact that most of the countries have not sufficiently diversified their economies nor engaged in the type of structural change that accompanies private investment and industrialization. Where poverty is persistent, it leads to backwardness. That then affects the capacity of governments to raise domestic resources for policy implementation that can lead to sustained growth and development.

## Emigration of Skilled Human Capital

The emigration of skilled human capital—sometimes referred to as “brain drain”—from Africa has increased significantly during the past four decades. This emigration has, undoubtedly, affected the capacity of African countries to effectively and efficiently deliver public services and contribute to the skill pool requirements of the private sector. While people should be free to choose where they desire to legally live and work, the flow of skilled human capital with respect to Africa is primarily outward to Europe and North America.

The exact magnitude of this emigration has not been carefully monitored and documented. The African Capacity Building Foundation (ACBF) has estimated that Africa loses an average of 20,000 skilled personnel a year to developed countries, excluding students who leave to study abroad (CFA, 2005). Some other sources indicate that in 2002 there were 5,334 physicians trained in African medical schools who were licensed to practice medicine in the United States. For the United Kingdom and Canada, it is estimated that there were, respectively, 3,451 and 2,151 African-trained physicians practicing in those two countries although the figure for the United Kingdom only covers physicians who arrived after 1992 (PHR, 2004). Other research found (based on data for 1999, 2002, and 2004) that a total of 13,272 (14 percent) of all the physicians trained in sub-Saharan Africa had emigrated to four countries—the United States, United Kingdom, Canada, and Australia (Mullan, 2005). Other recent calculations based on 2000 data show that the emigration rate from the pool of high-skilled workers (those with tertiary education) from the African continent was 10.4 percent. From sub-Saharan Africa it was 13 percent. In countries such as The Gambia, Cape Verde, Sierra Leone, Ghana, and Mozambique, for example, it exceeded 45 percent. The number of high-skilled Africans in the OECD countries in 2000 exceeded 2 million (Docquier and Marfouk, 2006).

Economists, engineers, nurses, and pharmacists, for example, are also prevalent among those that are highly skilled who have emigrated. Many universities in the United Kingdom, and more particularly the United States, are staffed with lecturers and professors who emigrated from Africa. Most of these professionals have no desire nor intent to return to their motherland based on their perception of the continued existence of "push factors" that led to their emigration and the "pull factors" that now keep them in their adopted countries. The "pull factors" are beyond the control of African policy makers. However, they can control the "push factors," which include such things as bad governance, conflict, patrimonialism, inadequate pay, lack of respect for skills and accomplishments, slow pace of economic development advancement, and inadequate living standards, for example.

Before closing on this issue, I must briefly say something about remittances which many migrants point to as their contribution to the development of their birth countries through spending by their family members and relatives. Remittances, though still heavily underreported or entirely unreported, have become a large source of external flows to Africa. The most recent regional data (2005–2006) show that sub-Saharan Africa received US$9 billion in remittances, equivalent to 4 percent of total flows to developing countries and representing an 80 percent increase from 2000 (World Bank, 2006, 2007). Undoubtedly, remittances are a very significant source of finance for many African households and "their benefits—improved livelihoods, greater economic security, and increased human, social, and other capital—are indisputable" (Sander and Maimbo, 2005, 70).

### The Deteriorating Educational System

Education is a key part of the problem regarding capacity deficits in Africa. Many Africans who are highly educated and skilled emigrate. However, after several decades of neglect and insufficient resources relative to needs, Africa's educational system is beginning to show considerable strain. For the most part, the educational system in most African countries became incapable of producing the type of educated and skilled individuals needed—which it previously did—to meet the development needs of the continent.

Education is a key element for future economic growth and lasting democracy, among other things. It is also a natural starting point for capacity development of individuals. However, the state of education in Africa, from primary to tertiary, has been plagued by the lack of funds (although increasing and is now 5 percent of GDP), teachers, and textbooks, as well as inadequate school buildings. In addition to financial resources, African educational systems are facing a shortage of teachers due to the HIV/AIDS pandemic sweeping the continent as discussed in chapter 3.

### Weak Governance Systems

One of the key elements for fulfilling Africa's promise is to improve governance on a continuum toward good governance for sustainable development. Currently, many African countries suffer from weak governance systems and this is being addressed in the NEPAD/APRM process (see chapter 6). Good political, economic, and corporate governance systems are "necessary foundations to create, stabilize, nurture and utilize capacity for development" (Janneh, 2005, 3). Moreover, weak governance systems also hamper the capacity of states to govern. Under such circumstances, capacity deficits will remain in place and sustainable development will remain elusive. Weak governance in Africa is characterized, in many of the countries, by a combination of such elements as poor institutional performance, inadequate parliamentary oversight, lack of judicial independence, political instability, nonexistent or insufficient budgetary accountability, no respect for the rule of law or human rights, and rampant bureaucratic and political corruption. Without good governance then, there would not be enduring states in Africa.

A critical, and now legendary, characteristic of the governance systems in some African countries is that of corruption. Corruption has significantly undermined capacity in Africa and deserves further elaboration here. Although the incidence of corruption varies among African countries, ranging from rare (Botswana) to widespread (Zambia) to systemic (Nigeria), most of the countries are in the range of widespread to systemic. Where corruption is rare it is easy to detect and control but, at the other extreme, where it is systemic, institutions, rules, and norms of behavior are adapted toward the goal of predatory gain (Hope and Chikulo, 2000). Corruption is negatively associated with developmental objectives. The entrenchment of corruption in Africa points to the fact that something has gone wrong in the governance of the individual nation-states. Whether corruption is rare, widespread, or systemic, it impairs capacity by hindering individuals and institutions from meeting their obligations to deliver goods and services in a sustainable and efficient manner (Hope, 2000; Mbaku, 2007).

One of the most popular and reputable measures of corruption is the Corruption Perception Index (CPI) developed by Transparency International (TI). The CPI ranks countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. It is a composite index, drawing on corruption-related data in expert surveys undertaken by a variety of reputable institutions. Among the set of the thirty-four to forty countries that are ranked as being in the group of top ten most corrupt countries, eleven to fourteen (about one-third) of these have consistently been African countries.

If good governance were to prevail across Africa, honest government would result in the adoption of policies that would eliminate the capacity deficits that hinder sustained socioeconomic development. It would also eliminate the chicken and the egg conundrum of which of the two (weak governance systems or capacity deficits) leads to the other. Good governance plays an important role in the creation of capable states with the capacity to spearhead development efforts. It entails the existence of efficient and accountable institutions—political, judicial, administrative, economic, corporate—and entrenched rules that promote development, protect human rights, respect the rule of law, demand a professional and ethical bureaucracy, and ensure that people are free to participate in, and be heard on, decisions that affect their lives.

## The Challenge of Capacity Development in Africa

Without capacity to develop and implement projects or plans and to produce and deliver goods and services, sustained socioeconomic development would remain elusive in Africa. However significant the level of debt write-off, however sincere is the will and desire to implement the NEPAD, for example, nothing positive will be achieved, in terms of sustainable development outcomes, if there are major deficits in capacity. Where capacity is weak, states will lack the capability to undertake basic public management functions. Institutions then hamper entrepreneurship, corrupt officials impede efficiency, and economic growth would be obstructed. In this work, capacity development is defined as the enhancement of the competency of individuals, public sector institutions, private sector entities, civil society organizations, and local communities to engage in activities in a sustainable manner for positive development impacts such as poverty reduction, improvements in governance quality, and generally meeting the MDGs. It is much more than improving the abilities and skills of individuals. It is also about incentives (Hope, 2006, 2007; OECD, 2006). Far too often it is simplistically regarded as just training, mentoring, or organization restructuring (Saldanha, 2006).

The concept of capacity development (also referred to as capacity building, capacity enhancement, or capacity strengthening in some literature) is fundamentally concerned with change and transformation at the individual, institutional, and societal levels. The individual level entails enabling individuals to engage in a continuous learning process that allows them to build on existing knowledge and skills, and to be able to expand these into new directions as additional opportunities arise. The institutional level pertains to the building of existing institutional capacity rather than trying to create new institutions. The societal or organizational level involves the society as a whole for development transformation. It includes creating opportunities in both the private and public sectors to allow people to use and expand their capacities to the fullest for the benefit of the society in general (Hope, 2006; OECD, 2006). For African countries, donor support and other technical assistance are definitely required to both assist with developing capacity as well as help to retain it. Nonetheless, for capacity development to be sustainable, and also contribute to sustainable development, the process must be owned and managed by African countries and not their external partners (Hope, 2006, 2007). In other words, external partners should play only a supporting role.

Capacity development was, until recently, viewed as just a technical process involving the transfer of knowledge or organizational practices from the North to the South. Development experience has, however, demonstrated the need to go beyond the supply of training and management models toward a decisive focus on demand and the required supply elements (including incentives) for the retention and effective utilization of capacity. Apart from country ownership, lessons of experience and Africa's development performance amply demonstrate that capacity development cannot be achieved simply by throwing money and external know-how at the problem. The transference of resources from the rich countries, although important, is not sufficient to improve the performance of public and private organizations in developing countries such as those in Africa (Mizrahi, 2004). Instead, capacity development has to be based on the particular circumstances of each country and requires, among other things, an openness to be flexible to modify approaches as needed.

With the advent of the NEPAD, both the demand and opportunities for capacity development have never been greater. African countries must seize the moment as part of their strategy for realizing the intended outcomes of the NEPAD and fulfilling their promise. In planning for capacity development, African countries and their donor partners should follow a set of fundamental principles. These principles for capacity development should include, among others: (1) being locally owned and controlled by those committed to the objectives of capacity development initiatives as well as by those who will be responsible and accountable for it. External partners or experts cannot create the levels of ownership and commitment required for capacity development efforts to be successful; (2) being addressed as a dynamic, continuous, and long-term process. Fragmented short-term interventions have never been successful; (3) building on existing local capacity across the public, private, and civil society sectors. Foreign expertise should not be substituted for such a significant development intervention; (4) involving a broad-based and participatory approach to increase awareness, understanding, and acceptance across the public, private and civil society sectors; (5) being comprehensive in approach to the extent possible, so that individuals, institutions, and communities are able to simultaneously benefit; and (6) being included in each sector plan, in the context of sector wide approaches (SWAPs), as a critical entry point and as part of development objectives.

Given observance of the foregoing principles, and keeping in mind the capacity deficits outlined above, the key areas for capacity development in Africa that this work identifies are briefly outlined below.

More detailed plans would need to be elaborated at the country level preferably within a SWAPs framework but linked to a broader key area. For example, instituting performance management systems will be crosscutting to all sectors such as health and education for instance, that are primarily part of the larger public service in all African countries.

## The Public Services

The public services require reforms to fill existing deficits in capacity in the executive branch where flawed incentive structures and employment methods, weak leadership and management, dysfunctional organizational structures, outdated procedures, archaic equipment, poor expenditure management and policy analysis skills, and corruption are adversely affecting the implementation of government policies and the delivery of public goods and services. In addition, HIV/AIDS is having a devastating impact on the African labor force and skills base as discussed in chapter 3.

Among the capacity development measures to be considered here are institutional development and strengthening activities that should include the adoption of performance management systems, for improving productivity with reward incentives, and the acquisition of necessary information technology and management information systems, along with training to use and maintain them so that they do not become dilapidated and fall into disrepair due to poor maintenance and lack of care. Also of critical importance is the need to develop and incorporate into the culture of African public services a concern for ethical behavior and management. Part of that process would require the development and rigorous application of codes of conduct and ethics including income and asset declarations for senior officials.

At the individual level, there is an obvious need to subject public servants to appropriate training. This training must be much more targeted than in the past for the acquisition and retention of the necessary skills base demanded by the individual countries. Moreover, some training would have to be accelerated to plug the gaps being experienced from the devastating impact of HIV/AIDS on the African labor force and, in particular, in the critical sectors of health and education. It is estimated, for example, that the continent requires 1 million new health workers by 2015 to increase the current ratio from 1 provider per 1,000 people to a target of 2.5 (World Bank and IMF, 2007).

## The Legislative Bodies

Legislative bodies, as constitutionally established political institutions in Africa, are experiencing some difficulties in exerting their oversight and political functions due to their limited capacity in terms of policy analysis and review, budget control, initiation of new bills, and the development and enforcement of codes of conduct. Strengthening African legislatures is a key element of the process of developing capacity for good governance. At the same time, sustained good governance can sustain the development and retention of capacity in African states.

For example, it has been empirically demonstrated by Alence (2004) that the effects of political institutions on governance are large and statistically robust in Africa. Governments that are more politically responsive and accountable to broader constituencies tend to "discourage the abuse of public resources for private gain relative to the provision of welfare-enhancing public goods" (Alence, 2004, 176). Moreover, such democratic contestation and executive restraints enhance the quality of governance. Strengthening legislative bodies in Africa will therefore have a significant positive impact on the prospects for achieving good governance on the continent. Good legislative oversight of the executive branch is necessary for government transparency and accountability. Similarly, development of the capacity of legislatures in their other functions—making policies and laws, representing citizens, and engaging in debate and dialogue on issues and priorities of national importance—is also a significant aspect of governance.

Among the elements of plans and projects for capacity development in legislative bodies (legislative strengthening) in Africa should be the improvement of legislative libraries and research assistance; the training of legislators in lawmaking, procedural rules, debate techniques, bill drafting, committee structures and roles, and improving relations (with the executive branch, members of other parties, the press, and civil society organizations); the conduct of study tours for members especially legislative leaders and committee chairpersons; the acquisition of technology and equipment for the prompt and accurate printing of legislative records; the development and strict enforcement of codes of ethics and conduct including income and asset declaration rules; a management orientation toward more effective and efficient use of legislative oversight tools such as the Auditor General, the Ombudsman, and the Public Accounts Committee, for example; and the training of the professional staff such as clerks, librarians, researchers, advisors, and bill drafters.

Part of the reason for capacity deficits in African legislatures is that the majority of their members tend to be affiliated with the ruling party. These members, including Cabinet Ministers, simply execute the will of the executive branch (government) by rubber stamping—even after some debate—its requests. Under such circumstances, there is no incentive to demonstrate capacity and to demand that it be developed. Nonetheless, effective legislatures contribute to good governance by performing important functions necessary to sustain democracy in diverse societies (Johnson and Nakamura, 1999). Developing the capacity of legislatures to perform those functions will therefore enhance the chances of achieving and sustaining good governance in Africa. Indeed, this has been recognized by some of Africa's external partners and they have recently been engaging in programs for the development of the continent's legislatures. The World Bank, UNDP, and USAID, for example, have been conducting some training and other capacity development projects for African legislative bodies.

## The Justice Systems

The justice systems in Africa require reforms to address capacity deficits that have led to burdensome judicial procedures, inadequate human resource recruitment and management methods, lack of judicial independence, and corruption in the judiciary. As the custodian of the rule of law and the final arbiter on the constitution, the judiciary plays an important role in democratic governance.

Capacity development measures here should include technical advice on the creation of technical committees for the screening and recommendation of judges to the appointing authority; the establishment of clear, appropriate, and predictable procedures for judicial funding that are not subject to the whim of the government of the day; appropriate training for staff and clerks; the development and maintenance of satisfactory conditions of service; and the development of effective judicial accountability mechanisms (Hatchard et al., 2004). In addition, judges should be willing to undergo training. To enhance capacity and skills, special training programs will be required for judges, and all judges must be amenable to adequate and ongoing training.

## The Local Governments

The local governments in Africa need to have capacity developed to better respond to the needs of the citizens, particularly in those countries where decentralization efforts have been undertaken or are being contemplated. Decentralization, or its consideration, is gaining currency in Africa primarily because there has been considerable dissatisfaction with centralized approaches to the delivery of public services at the local level (see chapter 5). However, even in countries like Botswana and South Africa, where the decentralization efforts to date can be regarded as somewhat successful, there are capacity deficits that are hampering even better outcomes.

Decentralization is defined here as the transfer of power, authority, or responsibility for decision making, planning, management, or resource allocation from higher tiers to lower tiers of governance (Hope, 2002b). It can be further differentiated as political (devolution or the granting of decision-making powers to lower governance structures); fiscal (the transfer of fiscal resources and revenue generating authority); administrative (the deconcentration or transfer of civil servants and public functions); or as a combination of these. However, where there are capacity deficits, there is a serious risk that the decentralization efforts will worsen poverty rather than help to reduce it. This, in turn, will hamper the prospects for achieving sustainable development.

Apart from developing capacity related to acquisition and retention of skilled personnel, procuring and maintaining the right equipment, and acquiring the appropriate infrastructure, there is also the need for capacity development in resource mobilization and management. In Uganda and Tanzania, for example, it was found that the lower tiers of government lacked the ability to manage public finances and maintain proper accounting procedures, both of which were requirements for transferring financial resources to the said lower tiers. Consequently, they actually received fewer funds than before decentralization. In Uganda, it was determined that spending on primary health care fell from 33 to 16 percent during decentralization (Ahmad et al., 2005).

Nonetheless, decentralization is the primary mode for improving local governance that, in turn, is a significant element of the drive for good governance on a national scale. Decentralization enhances the opportunities for participation by placing more power and resources closer to the people. Local governance provides opportunities for the voice of the poor to be better heard. It improves access to public services, and it offers an opportunity for greater participation of the poor in decisions that affect their interests. All of this, in turn, assures transparency and accountability in decision making and service delivery. Therefore, developing capacity in local governments can deepen democracy by bringing government closer to the populace. Through decentralization, the multiplier effects of such deepening democracy can lead to sustainable good governance and development.

## Civil Society and the Private Sector

Civil society and the private sector in Africa need to develop capacity to improve their respective productive, analytical, strategic, goods and services delivery, policy advocacy, and partnership capabilities. Civil society has an important role to play in the good governance equation of any state. And, the private sector has much to contribute to the process of sustainable development, through economic output effects, as well as to good corporate governance through its policies, adherence to national laws, and compliance with the rules and rulings of the regulatory authorities.

With respect to civil society, it can be regarded as a countervailing mechanism to state power while simultaneously engaging the state. It "embraces the action of people who join forces to achieve interests of common good" (Siri, 2002, 1). It comprises activities of membership-based national community organizations, NGOs, advocacy groups, philanthropic associations of the private sector, religious groups that provide social services, and academic and professional organizations. It generally includes formal and informal associations whose interests may be economic, cultural, professional, developmental, civic, or political. They are bound together by common interests rather than geography (Hope, 2002b; Siri, 2002).

It should come as no surprise to learn that civil society in Africa is still weak. Civil society organizations (CSOs) on the continent also suffer from poor transparency and lack of accountability, particularly where their work has been subject to the agenda and influence of their funders, both internal and external (CFA, 2005). Developing the capacity of CSOs in Africa is an important part of the process for improving the quality of governance as well as for furthering a more equitable and sustainable development process. A well-organized and vibrant civil society is able to check the power of government, hold the leadership accountable, promote a strong sense of citizenship among the public, and act as a catalyst for change and a conduit for the implementation of development projects for poverty reduction.

The NEPAD has brought civil society into the discourse on African development policy. In addition, other partners, such as the World Bank, for example, have been focusing on the projects that contribute to the expansion of the capacity for the civic engagement of community groups and other civil society organizations (Siri, 2002). Developing civil society capacity in Africa will entail both internal and external technical assistance to support programs with elements to develop human resources for quality skills and knowledge acquisition; to train officers and staff in government/civil society relations; to pursue greater internal sources of funding; and to improve institutional decision-making processes so that CSOs are seen and regarded as indigenous entities serving local or national interests rather than as mouthpieces for outside or foreign agendas.

Meanwhile, the contribution of the private sector to African economic development has been disappointing. Although foreign direct investment (FDI) flows to Africa have been increasing unevenly during the past two decades, the continent receives a very low share of total global flows and flows to developing countries. The continent has basically remained aid-dependent, with FDI mostly lagging behind ODA (see chapter 6). Consequently, this biased distribution of global FDI flows provides another good reason for developing the capacity of the private sector in Africa.

Private sector capacity needs to complement public sector capacity in the quest for sustainable development and for Africa to fulfill its promise. The public sector alone cannot be depended upon to spur economic growth. The state has an obligation to provide an enabling and stable environment for growth to occur and be sustained through, among other things, public investments in appropriate physical infrastructure, health, education, and social needs; and sound policies and regulatory frameworks for the economic and corporate governance operations of the private sector. However, national income can only grow, and poverty can only be reduced, through a combination of public and private sector activities that lead to an increase of national production and export earnings and generate employment.

Among the elements of any plan to improve private sector capacity in Africa should be included the establishment of training programs by Chambers of Commerce for the development of specific skills needs; the establishment of a forum for regular meetings between representatives of the private sector and Cabinet Ministers to improve public-private consultation for continuing development of private sector policy and initiatives; the sponsorship by governments of technical assistance from international organizations, such as the United Nations Industrial Development Organization (UNIDO), to private sector entities on issues pertaining to new production and processing techniques, trade policy, export packaging and so on; training on modalities for establishing public-private partnerships; training for women entrepreneurs, both current and potential; the promotion of and support for the use of simple technologies by micro-enterprises; the development of programs for improving quality awareness and control; the development of domestic capital markets; the establishment of one-stop shop investment promotion agencies that are appropriately staffed; and the development and rigorous application of government policy that insists on local or regional sourcing of inputs from African entrepreneurs for development aid projects.

## Infrastructure

Africa's infrastructure stock needs to be seriously upgraded. Much of the continent's infrastructure is dilapidated, archaic, deteriorating, or even nonexistent. This applies to both economic and social infrastructure such as roads, electricity supply, water supply and sanitation systems, schools, hospitals, clinics, airports, and government buildings and vehicles. Unless this infrastructure is made whole again and maintained to function effectively and efficiently, attempts at development enhancement will not yield positive results across Africa. This obvious fact is also supported by empirical evidence, which shows, for example, that if Africa had enjoyed growth rates in telecommunications and power generation infrastructure comparable to those observed in East Africa in the 1980s and 1990s, its annual growth rate would have been 1.3 percent higher (World Bank and IMF, 2004).

By improving infrastructure capacity, that will, in turn, allow for capacity development in other areas as discussed in this chapter. In fact, infrastructure development needs to be accelerated to allow the public and private sectors to successfully implement policies and produce and deliver goods and services for poverty reduction and sustainable development. Infrastructure serves as a strategic foundation for economic transformation in general and the application of technology to development in particular (UNIDO, 2004). It is also an essential element of the long-term development efforts envisioned by the NEPAD and for Africa to fulfill its promise.

Infrastructure capacity development efforts in Africa must include aspects that promote and allow for the pooling of resources with other countries where that could lead to the development of infrastructure serving common needs; that create and implement policies for the engagement of public-private partnerships in infrastructure investments; that establish a dedicated infrastructure development unit (preferably in the Ministry of Finance) for the fast tracking, coordination, accessing of funding mechanisms, and monitoring of all infrastructure projects; and that acquires and trains human resources with skills to improve the effective delivery and performance of infrastructure.

## Partnerships for Capacity Development

It must be acknowledged that the current awareness about the need for capacity development in Africa emerged from the launch of the NEPAD initiative. Although capacity deficits in Africa had been recognized in the past, there is now a much greater commitment to capacity development efforts by both the African leadership and their external partners. In fact, there currently exists much institutional framework that has been put in place by such organizations as the World Bank, the ACBF, and the United Nations Development Programme (UNDP), for example, to foster partnerships with Africa in support of capacity development. These partnerships need to be carefully coordinated at the country level.

To maximize the benefits from these partnerships, this work suggests that each African country should establish its own capacity development facility through which its capacity development programs will be implemented. Such a facility should be established as a semiautonomous entity. Such semiautonomous entities—unlike government agencies and specialized training institutions—have demonstrated higher degrees of institutional ownership, better governance, professionalism, performance and output utility, and better prospects of sustainability. They also provide a greater degree of confidence to external partners that the assistance they provide will be more efficiently and appropriately utilized rather than mismanaged (Hope, 2006). In Botswana, for example, the Botswana National Productivity Center (BNPC) is a good example of such a semi-autonomous institution being used for facilitating the country's capacity development and ongoing productivity enhancement efforts.

Moreover, the use of a capacity development facility would allow for sustainability to the extent it can provide for long-term political and financial commitment as well as the potential for networking. In addition, the use of such a facility can ensure greater participation (as may be appropriate) and accountability from all stakeholders throughout all stages of the capacity development activities. This, in turn, will reinforce the ownership principle previously discussed. As Fukuyama (2004, 88) has pointed out, to develop capacity in a developing country, outsiders—"whether international financial institutions, bilateral donors, or non-governmental organizations"—should not arrive with their own "construction blueprints, ready to hire [nationals] to help build the factory we have designed. Instead, we should be arriving with resources" to "optimally . . . make direct grants to government agencies" and "motivate the [nationals] to design their own factory and to help them figure out how to build and operate it themselves."

Three institutions currently stand out in their efforts to partner with African countries for capacity development projects and these arrangements need to be scaled up and better coordinated through a capacity development facility as discussed above. The first is the ACBF. In the 1980s, the World Bank recognized the necessity for capacity development in Africa and it launched the African Capacity Building Initiative in 1989. That then resulted in the creation of the ACBF in 1991 with additional sponsorship from the African Development Bank (AfDB) and the UNDP. Located in Harare, Zimbabwe, the ACBF has contributed to a number of projects and programs designed to strengthen Africa's capacity. Its focus is on the boosting of sustainable governance reform and poverty reduction on the continent through processes owned, driven, and realized by Africans themselves (ACBF, 2006). Currently, the ACBF has more than 139 active capacity development projects and programs in its portfolio and more than 160 total grants have been approved with cumulative commitments exceeding US$280 million (ACBF, 2005, 2006). The ACBF also works in partnership with the regional policy-making organs such as the African Union and the NEPAD Secretariat.

The second institution of note is the World Bank. The Bank had been very instrumental in the creation of the ACBF. However, by the mid-1990s, sensing a drift, the Bank with its partners sought to deepen and scale up this partnership approach by expanding the mandate of the ACBF. This resulted in the establishment of the Partnership for African Capacity Building (PACT) to address capacity deficits in a more systematic manner with an emphasis on homegrown strategies. The ACBF formally incorporated PACT objectives into its work program in 1999–2000. In the latter part of 2004, the World Bank created an Operational Taskforce on Capacity Development in Africa to review and update the Bank's approach for helping to develop the capacities of African states and societies to secure the economic and social fundamentals of poverty reduction (World Bank, 2005b, 2005c). The outcome of that exercise has been factored into the operations of the ACBF and the Bank's own Africa Action Plan.

The final institution is the UNDP. Apart from its global program on capacity development, the UNDP launched the Southern Africa

Capacity Initiative (SACI) in 2004. The SACI is a strategy to respond to the interlocking challenges of HIV/AIDS, food insecurity, and governance. It aims to help Southern African countries with very high HIV/AIDS prevalence rates to arrest the capacity erosion caused by the epidemic in key sectors and meet their development challenges for a brighter future.

The SACI is supporting the efforts of governments to adapt and develop policies to effectively respond to the unique challenges of providing services in the HIV/AIDS-era, including developing leadership capacity and skills and empowering institutions to continue to function and deliver services; to promote new and expanded options for delivering key services, including the fostering of effective new partnerships between and among governments, businesses, schools, and religious and other civil society institutions, bringing them together to strengthen capacity; to meet intensified demands for skills, finding ways to accelerate skills training in key areas, strengthening the learning infrastructure, and expanding learning and training opportunities; and to stabilize capacity to offset the immediate loss of skilled human resources in affected sectors by mobilizing volunteers within and outside of the continent.

The SACI is relatively new and its full impact is not yet known. However, HIV/AIDS is destroying life and the labor force in the key sectors of agriculture, health, and education in Africa. This, in turn, has led to severe capacity deficits. The SACI is therefore a welcome approach to try to develop capacity under such circumstances. Perhaps it can be expanded and replicated in other subregions in Africa.

Apart from the three institutions discussed above, there are others that are engaging in capacity development activities in Africa albeit in more of an ad hoc manner. One good example comes from Liberia where development assistance institutions—the U.S. government, through its Agency for International Development (USAID), the European Union (EU), the World Bank, the United Nations, and the IMF—have put together the Governance and Economic Management Assistance Program (GEMAP) in partnership with the government of Liberia with capacity development being a key component. The GEMAP, among other things, is providing technical assistance and funding for developing the capacity of Liberian public servants and institutions to make good governance reforms permanent. This is regarded as an essential step in both consolidating peace and reconstruction efforts and enabling Liberia to take ownership and control of its development efforts soonest.

## Conclusion

This chapter has shown the importance of developing capacity in Africa and the need for African governments to seize the opportunities being provided to marshal the resources for capacity development. It is suggested that capacity development initiatives be ideally implemented through sector-wide approaches. A further suggestion is that each African country should establish a focal point facility for coordinating and monitoring all plans, programs, and external assistance destined for capacity development. For future assessments to deem Africa as continuing to move forward, it is imperative that current attempts at capacity development also result in success. Developing capacity will continue to move the continent forward to enhance good governance, the effectiveness of each state, and lead to sustainable development for the fulfillment of its promise.

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# Chapter 8

## Can Africa Fulfill Its Promise?

The title of this concluding chapter poses the question that this book has now answered with a resounding *yes*. Africa is on the move as demonstrated in this work and the continent can and must fulfill its promise of better development performance to further reduce poverty, sustain good governance, and improve the livelihoods of its peoples. To be sure, several challenges remain as discussed throughout the volume and further summarized below. However, current trends and evidence indicate that there is now much greater political commitment and will to maintain the momentum of improved development performance that the continent has been experiencing in the past few years and, indeed, to scale up that performance toward long-term sustainability.

As shown in this book, after the doom and gloom of the past several decades, there now exists several of the prerequisites for Africa to fulfill its promise by achieving better development outcomes and improving the lives of its citizenry. For example, some country policies and institutions have improved; there is a movement toward mutual accountability between African countries and developed countries; there is an increasing country ownership of development support with development partners relying more on the development strategies of the African countries rather than on their (development partners) own aid agenda; growth is improving; debt cancellation is in place; poverty is declining; democratic reforms are taking hold; and governance indicators are improving with some countries having started the process of peer reviewing each other for progress toward good governance and socioeconomic development, and compliance with the fundamental principles, codes, and standards in that regard.

The European Union, through its Commission of the European Communities (2005, 6–7), has captured the scene as follows:

> In recent years, a forward-looking Africa has re-emerged on the international scene with more confidence, dynamism and optimism than ever before. Governance has improved considerably in recent years, sustained economic growth is being recorded for the first time in decades, and the AU/NEPAD and regional organizations have provided Africa with political and economic roadmaps and a vision for the future. Africa's development is now at the top of the international political agenda and there is a broad international consensus on the basic action that needs to be taken. There is now a unique window of opportunity to give Africa a decisive push toward sustainable development.

Likewise, the World Bank (2006a, 1), in noting that "Africa is indeed on the move," cited the following as aggregate evidence in contrast to the 1990s:

- Conflicts on the continent have declined.
- Economic performance has improved, and some clear "high performers" are beginning to emerge.
- Across the continent countries are advancing in all spheres of transformation.
- Growth is rising.
- Macroeconomic indicators have improved with inflation down to historic lows, exchange rate distortions mostly eliminated, and fiscal deficits dropping.
- There is a growing awareness by governments of the need to be accountable to their people.
- Governments that come to power by unconstitutional means will not be recognized by the African Union.
- Many countries have increased exports.
- Progress is being made in human development.
- Poverty is declining in many countries.

Others have also acknowledged that "Africa is on the move and appears to be perched on the cusp of breaking out of the long economic stagnation of the 1970s and 1980s" (Ndulu et al., 2007, 143). Furthermore, it has also been shown by Ndulu et al. (2007, 143) that:

> Sub-Saharan Africa's recent improved economic performance reflects some important underlying changes that are taking place across the continent. Policies

> and institutions are improving, peace and security is returning to the region, and African governments are increasingly taking control of their own economic destinies. Higher levels of political participation and competition also give Africans a greater stake in their own future.

The well-respected journalist and celebrated broadcaster Charlayne Hunter-Gault has, moreover, observed that the new news out of Africa is that "the steps that are being taken to achieve the kinds of societies where governments are accountable to the people are a large part of what is providing new hope on the continent" (Hunter-Gault, 2006, 105). This, in turn, is a critical factor in removing the negative portrayal of Africa as "The Hopeless Continent" and the widespread perception that it is "a place of death, disaster, disease, and despair, the four D's of the African apocalypse" (Hunter-Gault, 2006, 107).

From the private sector, Nicky Oppenheimer, Chairman of the De Beers Group and one of Africa's leading businessmen, is uniquely positioned to give insights into the continent's achievements and future prospects. He stated in a lecture delivered at the Royal United Services Institute for Defence and Strategic Studies in London in May 2007 "that the foundation has been laid for more [African countries] to succeed than will fail" (Oppenheimer, 2007, 1). He argued passionately that the continent is no longer uniformly "hopeless" as *The Economist* magazine had infamously suggested at the start of this decade.

In fact, Oppenheimer (2007, 1–6) observed that:

> In the 21st century, things in Africa have changed and we are on a roll. Last year, continental economic growth was 5.8 percent, the third year it has averaged more than 5 percent. What a change from the dismal 1980s and 1990s when growth averaged little over 2 percent. Looking at the top half of African countries the growth figure was closer to 7 percent . . . An exact corollary of the better economics has been the decline in conflict within Africa. Indeed, the number of conflicts in Africa has declined by two-thirds from the bad late 1990s . . . Africa is succeeding—not in spite of the international community's apathy or unreliability, but because of it. Successful African countries have had to become more self-reliant and take greater responsibility . . . But, overall the news from Africa is good. Today, for every African failure, there is a steady stream of successes; and for every African autocrat, many more democrats. Sound domestic policy, which counts more than external assistance in creating the conditions for growth, stability and prosperity, is more and more the African norm. Failure is a deviation.

Also, John Prendergast (2007, B2), the Co-Chair of the Enough Project, an initiative aimed at crimes against humanity, has observed that:

> It's fitting that . . . nations such as Liberia, South Africa, Mozambique, and Burundi, which have also made strides toward democracy and peace—are beginning to tell a story of Africa that is radically different from the conventional wisdom. They are defying both history and outsiders' low expectations for the continent. Scratch beneath the surface, and you will find hope and self-transformation—and inspiration. . . . Africans are demanding that their voices be heard—through the ballot box, through civil society organizations, new media, revitalized political parties, and reformed institutions to provide accountability.

In addition, one of Africa's elder statesmen and President of Senegal, Abdoulaye Wade (2007, 1), in discussing the renaissance taking hold in Africa, noted that:

> In America, outdated stereotypes of Africa as a violent continent, rife with genocide, famines, AIDS, and military strongmen still linger. Yet apart from the epic tragedy in Darfur, famine and tyranny are on the wane throughout the continent, and the overwhelming majority of Africans are in better health and living longer. Countries that were once notorious for tribal and racial violence, including Sierra Leone, South Africa, Mozambique, Liberia, and Burundi, are peaceful and have made or are making the transition to democratic government. Even Rwanda, the continent's killing fields only a decade ago, now enjoys rapid economic growth.

However, despite all of the evidence demonstrating that Africa is on the move, and that the continent is gathering momentum toward fulfilling its promise of better development performance for continued poverty reduction and improved livelihoods for its peoples with better governance, there are many challenges ahead that must be forcefully tackled by the continent's leaders and policy makers to retain those outcomes in a sustained manner.

## Democratic Reforms and Good Governance

Democratic reforms have taken hold in Africa. Granted, there are still some skirmishes in frontier territories and failed states like Somalia but these days conflict, political violence, and undemocratic behavior are no longer tolerated on the continent. In fact, consolidating democratic reforms and championing the achievement and maintenance of good governance have now become part of the thinking and mantra of most of Africa's leaders. For example, at the Summit to launch the African Union in 2002, President Thabo Mbeki of South Africa exhorted that: "Through our actions, let us proclaim to the world that [Africa] is a continent of democracy, a continent of democratic institutions and culture. Indeed a continent of good governance, where the people participate and the rule of law is upheld" (Mbeki, 2002, 1–2). Five years later, President John Kufuor of Ghana noted that the immediate decades after independence "were marked by bad governance and impunity in most of our nations. That is why at the turn of the century, the current crop of leaders of Africa decided to create the African Union and also adopt the New Partnership for Africa's Development" (Kufuor, 2007, 2).

Much of the recent analytical literature on democratic reforms in Africa has also demonstrated that these reforms are taking hold on the continent. Posner and Young (2007), for example, found that there is an increasing institutionalization of political power. "Whereas political power used to change hands principally through violence–at a time and in a manner chosen by coup plotters–it now changes hands principally in accord with institutional rules" (Posner and Young, 2007, 129). From the postindependence period in the 1960s through the 1980s, most African political leaders left office through a coup, assassination, or some other form of violent overthrow. However, from 1990 the majority have left through institutionalized means—primarily voluntary resignation at the end of a constitutionally defined term or by losing at the polls (Posner and Young, 2007).

Elections are also becoming more intensely contested in Africa and much more frequently held in line with constitutional requirements. In only two of the 26 presidential elections held in Africa in the 1960s did the incumbent face an opponent. In contrast, by the 1990s, more than 90 percent of presidential elections were contested and, by the 2000–2005 period, this share had risen to 98 percent. According to Posner and Young (2007), this significant change reflects the increasing recognition by Africa's leaders that maintaining their legitimacy with their fellow citizens, as well as the international community, requires that they subject themselves to elections in which opponents are regarded as viable candidates with some possibility of winning. By accepting and entrenching these formal rules, with their constraining effects, African leaders have also signaled that it is time for the personal rule paradigm—with which they had become associated— to be abandoned (Posner and Young, 2007).

Other analysts, such as Lindberg (2006), for example, have similarly argued that the Afro-pessimist view regarding democratization in

Africa now needs qualification. Elections in Africa were shown to "not only signify democracy; they breed democracy, through the self-reinforcing, self-improving quality of repetitive elections" (Lindberg, 2006, 144). The more successive elections, the more democratic the regime. Elections further the spread and depth of freedoms and rights. "Holding repetitive elections is the mechanism [known] to work best (or least bad) in translating self-government into effective government in a modern state" (Lindberg, 2006, 161).

Consistent with the increasing institutionalization of political power in Africa, through competitive elections that foster democracy, there has been a decline of the military coup. According to Clark (2007), the bulk of evidence suggests that democratic legitimacy renders African states much less vulnerable to military intervention than they otherwise might be. Indeed, military intervention becomes less likely as duly elected regimes gain legitimacy over time. Legitimacy acts as a deterrent to extra-constitutional seizures of power. It provides the fundamental justification for citizen (both civilian and military) support for elected governments. Moreover, African leaders have now set standards for their own conduct and behavior in office and are being judged (peer reviewed) by those standards (chapter 6). Those standards are being applied not just to those leaders currently in power but will also apply to all others in the future. This type of public transparent scrutiny of governments reinforces legitimacy and influences the military to stay in their barracks. In addition, the African Union and the Pan-African Parliament have made it abundantly clear that they intend to enforce the key objectives of promoting the principles of human rights and democracy in Africa, and applying pressure on any member state that contravenes the democratic standards implied in the African Union's Constitutive Act, the Africa Charter on Human and People's Rights, and the African Union's Declaration on the Principles Governing Democratic Elections in Africa (Hunter-Gault, 2006).

Apart from competitive elections that are scheduled as constitutionally mandated, there are other indicators of democratic reforms and good governance in Africa that have taken a significant leap but which also need to be sustained. The United Nations Economic Commission for Africa (UNECA), for example, in its first *African Governance Report 2005,* found the following:

- Competitive multi-party democracy and rule of law have become largely entrenched in many African countries and the political space has been gradually liberalized.

- The scope of political representation has widened through various democratic structures that represent the people.
- Governments no longer monopolize the public sphere and the media are operating within a completely or mostly free and competitive environment. There is declining executive dominance in Africa.
- There is a growing capacity of electoral institutions to better manage the electoral process and the overall electoral system has become more credible.
- State institutions and processes are gradually being reconstructed to promote inclusiveness, transparency, and accountability.
- Public financial management and accountability have been increasing considerably with greater transparency in monetary policies, smaller budget deficits, and improved auditing of public funds.

Similarly, the World Bank has determined that many African countries have been making significant progress in improving governance and fighting corruption over the past decade (World Bank, 2007a). The political, economic, and institutional dimensions of governance are captured by the World Bank in six aggregate indicators that measure:

1. *Voice and Accountability*—The extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.
2. *Political Stability and Absence of Violence*—Perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism.
3. *Government Effectiveness*—The quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.
4. *Regulatory Quality*—The ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.
5. *Rule of Law*—The extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence.

6. *Control of Corruption*—The extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

For the above six governance indicators, several African countries showed improvements in one or more of them during the period 1998–2006. For example, Kenya, Niger, and Sierra Leone have improved markedly in *Voice and Accountability;* Algeria and Liberia have strengthened their *Rule of Law;* Tanzania has shown gains in *Control of Corruption;* Algeria, Angola, Libya, Rwanda, and Sierra Leone have made improvements in *Political Stability;* and Algeria has improved its *Government Effectiveness* (World Bank, 2007a).

Another more structured index has also been showing that African countries are making strides toward much better governance. The recently developed Ibrahim Index of African Governance shows that many African countries have been consistently improving their governance during the period 2000–2005 with Mauritius, Seychelles, Botswana, Cape Verde, and South Africa consistently ranked in the top six performers (Mo Ibrahim Foundation, 2007). The Ibrahim Index of African Governance is a new, comprehensive ranking of the quality of governance in sub-Saharan African countries. It was created to (1) provide objective criteria by which citizens can hold their governments to account; and (2) stimulate debate about governance across sub-Saharan Africa and the world. This index is a project of the Mo Ibrahim Foundation and it aims to strengthen governance in Africa to improve the lives of Africans everywhere. Its first release was in September 2007 and it will be updated annually (Mo Ibrahim Foundation, 2007).

The Ibrahim Index measures governance by comprehensively assessing the degree to which essential political goods is provided within each of the countries. The delivery of these political goods by nation states is regarded as the central purpose for the existence of governments. Consequently, this governance index is a measure of the performance of government. The essential political goods are grouped under five major categories and regarded as providing a definition of good governance. The five major categories are:

- Safety and Security
- Rule of Law, Transparency and Corruption
- Participation and Human Rights

- Sustainable Economic Development
- Human Development

These five categories are further disaggregated into fifteen subcategories and fifty-eight sub-subcategories. The average sum of these category scores generates an overall country score, which serves as the basis for a final ranking (Mo Ibrahim Foundation, 2007). These improvements in good democratic governance need to be further sustained, to maintain capable and effective states, for Africa to fulfill its promise of better development performance to mitigate poverty and improve livelihoods.

## Entrepreneurship and Investment

Chapter 2 demonstrated that domestic entrepreneurship and investment have been expanding primarily in the informal sector across Africa. This has resulted, in turn, in significant economic benefits to the continent in terms of employment creation, contribution to gross domestic product, and poverty reduction. Indeed, there is now a burgeoning literature on the growth and impact of the informal sector and, in particular, its capacity to alleviate poverty. Prahalad (2006) refers to this group of poor as the "bottom-of-the- pyramid" (BOP) whom should not be thought of as victims but should be recognized as resilient and creative entrepreneurs and value-conscious consumers. While I generally agree with this approach of the private sector being put at the center of development, there are unique circumstances in Africa that may not generally lend themselves to a sustained successful outcome from the BOP approach as may be the case in Asia.

For example, one common pattern of the business environment in most African countries is segmentation whereby small firms, in both the formal and informal sectors, tend to be owned by black Africans, and the medium and large enterprises are owned by ethnic minorities or foreigners. This state of affairs has, consequently, created an environment where both business and the policy decisions affecting business are highly political (Moss, 2007). This is particularly so in those countries where specific foreigner groups dominate the business scene, such as South Asians in East Africa and Lebanese in West Africa. Many African countries have been taking steps to promote indigenization or localization of small business ownership through margin of preference laws or directives that seek to limit the extent of participation in, or ownership of, small business ventures by foreigners relative to the indigenous population, as well as in the public sector procurement and concession process.

In addition, most local entrepreneurs have insufficient access to credit despite the expansion in use of informal finance sources such as rotating savings and credit associations. Access to credit by domestic entrepreneurs in Africa needs to be urgently addressed. This is an area of development policy that requires less lip service and more of a proactive approach by both African governments and donors. Research has confirmed that the only variable affecting access to trade credit for small and medium enterprises, owned by non-Africans, is the size of the business, and it is of lesser importance than it is for indigenous African businesses (Biggs and Shah, 2006). Members of non-African ethnic networks are also not required to establish long-term relationships to get credit. Their very membership and reputation in their network is sufficient for lenders. However, for indigenous African businesses both their size and length of relationship with suppliers and capital providers are very important in determining access to credit (Biggs and Shah, 2006). For small and medium domestic enterprises in Africa, when credit is extended, the lending conditions—such as interest rates, collateral requirements, and account deposits—are much more stringent.

Improving access to credit by African businesses will further result in the successful development of private enterprise in Africa as the required catalyst for sustaining economic growth on the continent. Among other things, governments must create and/or enforce regulatory frameworks that support microfinance and its integration into the financial sector, contract enforcement needs to be respected and championed by the courts, and private commercial banks need to develop banking packages and financial services that are tailored to low-income populations. Although Africa has the lowest savings rate in the world, it also has a low propensity to on-lend mobilized deposits as reflected in the low ratios of loans to deposits, averaging 32 percent (Ndulu et al., 2007).

Nonetheless, with improved savings mobilization there is likely to be greater incentives to lend to African businesses on the part of formal financial institutions. One good example comes from South Africa where the major commercial banks have responded to the expectation that they can and should do more to achieve an inclusive financial system in that country (Honohan and Beck, 2007). These banks have expanded the provision of financial services to low-income populations through what is termed *Mzansi* accounts. Other banks in other African countries are attempting to follow this model. African governments must create the appropriate environment to encourage development of a variety of financial services that serve low-income populations and small and medium enterprises.

In addition to the boosting of domestic entrepreneurship and investment, Africa must also continue to improve its inflows of foreign direct investment (FDI). Private capital flows to Africa in the form of FDI are growing. Net FDI flows to the region were almost US$95 billion during the period 2000–2006 (World Bank, 2007b). While this represents only a small share of global flows (chapter 6), the more relevant comparison is with the size of the African economy. By this measure, sub-Saharan Africa attracts almost as much FDI as Southeast Asia (Thomsen, 2005). Improved governance has been cited as the principal reason for the rise in FDI in Africa, leading to "both a signal of renewed private-sector confidence in African prospects and an indication of the path which African development might follow in the near future" (Thomsen, 2005, 3). This resurgence of FDI in Africa indicates that Africa is also trying to fulfill its promise by lowering the risks to private investment and reaping the benefits stemming therefrom.

However, more needs to be done in recognition of the importance of the private investment climate and its relevance to sustained growth and development in Africa, as well as employment generation. Indeed, many governments have made tangible progress in simplifying investment procedures and reducing barriers in terms of the number of days to start a business, to get licenses, to register property, to get clearance to export or import, and to enforce contracts. Nonetheless, the sub-Saharan Africa average number of days for most of these categories is two to four times longer than the OECD average. However, sub-Saharan Africa has moved from a ranking of last in its "doing business" reforms over the past few years to third by 2006, behind the Eastern Europe and Central Asia region and the OECD high-income countries (World Bank, 2006b). In 2007, sub-Saharan Africa had slipped down to fifth ahead of Latin America and the Caribbean and East Asia and the Pacific (World Bank, 2007c).

One of the most critical and significant aspects of the policy changes occurring in Africa, in support of improving the investment climate, is the reinventing of the state by moving away from state guidance in favor of what is now termed "entrepreneurial capitalism"—the capitalist system in which large numbers of the actors within the economy not only have an increasing drive and incentive to innovate but also undertake some innovations that are then commercialized (Baumol et al., 2007). These actors include both large and small enterprises. They contribute to the realization of the critical role of entrepreneurship for economic growth and the attendant opportunity to reduce or eliminate poverty. Nonetheless, much of the innovation tends to come from BOP product and service approaches adapted to the unique circumstances of individual African countries (Baumol et al., 2007). Some of these have since expanded to become medium or large enterprises.

Take, for example, the revolution that is occurring in Africa's telecoms sectors. The establishment and growth of this sector, with packages to fit all consumer income levels, has been nothing but phenomenal. At the inception of this revolution in the 1990s, African operators (except in South Africa) had little or nothing in the form of a communications network on which to build. Consequently, this was a test not only of entrepreneurship but also of innovation as often heavy, fragile, and cumbersome equipment had to be hauled over gullies, bad roads, through forests deep into rural areas across deserts (Versi, 2007). Since that time further innovations have taken place that have resulted in the number of cellphone users on the continent increasing from two million in 1997 to a projected 265 million by 2012 (Versi, 2007). Among those innovations was the launch by the Celtel International telecoms company of its "One Network" project in 2006. This became the world's first borderless mobile phone network. It simply allowed all Celtel customers in East and Central Africa (Kenya, Uganda, Tanzania, Congo, Gabon, and Democratic Republic of Congo) to move freely across their national borders and make calls without incurring additional roaming charges. The "One Network" service is automatically activated upon crossing the geographic border into one of the other countries and will be expanded with coverage to the whole of Africa by 2010 (Magomba, 2007).

The benefits of private investment (both domestic and foreign) include employment creation, technology transfer, increases in capital stock, and contributions to balance of payments and GDP. These are benefits that cannot be sustained in the absence of liberalized economic policy making. African economic policy making must continue to reflect this reality with even additional attempts to improve the investment climate through reforms that further reduce barriers to doing business on the continent.

## Agriculture and Rural Development

Although advances are being made in poverty reduction in Africa, poverty remains largely a rural phenomenon on the continent (chapter 1). In both rural and urban areas, poor people depend directly on agriculture for their livelihoods and food security. Accelerating growth in agriculture through a comprehensive rural development strategy is also necessary for sustaining growth and industrial diversification in the wider economy (CFA, 2005). Agriculture and rural development must therefore be considered as a major element of the strategy for improving development performance in Africa and the generation of sustainable livelihoods. As rural development moves back onto the radar screen, with a renewed emphasis on agriculture and the rural poor, Africa's agricultural growth potential can be further unlocked.

Agriculture still dominates the economies of many African countries. In sub-Saharan Africa, the agricultural sector contributes at least 40 percent of exports, 34 percent of GDP, up to 30 percent of foreign exchange earnings, and 64 to 80 percent of employment (CFA, 2005; World Bank, 2006a, 2007d). Real agricultural GDP growth in sub-Saharan Africa has accelerated from 2.3 percent per year in the 1980s to 3.3 percent per year in the 1990s, and to 3.8 percent per year between 2000 and 2005 (World Bank, 2007d). Through the NEPAD process, African governments endorsed a Comprehensive Africa Agriculture Development Programme (CAADP) in 2003 as a framework for the restoration of agricultural growth, food security, and rural development in Africa. The CAADP was prepared with primary assistance from the Food and Agriculture Organization (FAO) and inputs by the International Fund for Agricultural Development (IFAD), the World Bank, the United States Agency for International Development (USAID), and the World Food Programme (WFP). Its primary goal is agriculture-led development that eliminates hunger and reduces poverty and food insecurity, opening the way for export expansion (NEPAD Secretariat, 2005). It is also based on four pillars: (1) extending the area under sustainable land management and reliable water control systems; (2) improving rural infrastructure and trade-related capacities for market access; (3) increasing food supply, reducing hunger, and improving responses to food emergency crises; and (4) improving agriculture research, technology dissemination and adoption (NEPAD Secretariat, 2005).

Within the above four pillars, the CAADP has the following specific targets for achievement by the year 2015:

- The improvement of agricultural productivity to attain an average annual growth rate of 6 percent, with particular attention to small-scale farmers and focusing on women.
- The creation of dynamic agricultural markets within countries and between regions.

- The integration of farmers into the market economy with improved market access to become a net exporter of agricultural products.
- The achievement of a more equitable distribution of wealth.
- The implementation of better strategies in agricultural science and technology development.
- The practice of environmentally sound production methods and the development of a culture of sustainable management of the natural resource base (NEPAD Secretariat, 2005).

Several development partners have demonstrated their commitment to facilitate faster implementation of the CAADP. They have also pledged to improve access for African exports to global markets, combined with reductions in their own domestic and export subsidies. However, the achievements, to date, under the CAADP have been mixed at best. The progress stocktaking analyses available show scores of "amber" for Pillars 1 and 4 and scores of "red" for Pillars 2 and 3. For these traffic light scores, green would have represented good progress being made; amber represents significant movement in the right direction, but more to be done; red represents little or no progress being made (APF, 2006). Perhaps the most significant challenge to the CAADP implementation process is the weakness of institutional and technical capacities at the country level to undertake clear and determined government commitments on the agriculture agenda. Many African countries still face limitations with respect to their institutional and technical capabilities in the agriculture sector (NEPAD Secretariat, 2007).

The CAADP needs to be implemented with some greater urgency in Africa. In that regard, African countries should make every effort to meet their commitment to increase national budget allocations for agriculture to 10 percent per annum over 5 years. This commitment having been adopted at the 2003 African Union Summit in the Declaration on Agriculture and Food Security. Moreover, it has been argued that African agricultural production needs to increase by at least 4–6 percent on a sustained annual basis to meet the food needs of an African population that is expected to increase from about 900 million in 2005 to 1.26 billion by 2020 (APF, 2006). Pursuing these policies in support of agriculture and rural development will also have major impacts on poverty reduction. It has been demonstrated, for example, that agriculture and rural development can reduce poverty in Africa more than in other regions. A 1 percent increase in crop yield in sub-Saharan Africa translates into a 0.7 percent reduction in the number of poor people, more than the 0.5 percent reduction in East and South Asia and seven times the 0.1 percent reduction in Latin America (Thirtle et al., 2003).

Putting greater emphasis on agriculture and rural development in Africa will not only reduce poverty but may also contribute to slower urban population growth. If the incentives to rural-urban migration are reduced or removed through development of the rural areas, then African urbanization rates will also decline. Africa remains the fastest urbanizing region in the world (chapter 1). Migration on the continent is fuelled by a failure of agricultural policies primarily, or civil conflict (CFA, 2005). Given that the dynamics of rural growth and the factors that promote it are now better understood than before, the democratic reforms sweeping Africa also create opportunities for rural populations to express their views and priorities. This then puts rural communities at the center of development as they are empowered to pursue their own priorities for development. This approach is being applied in South Africa, for example, through its Integrated and Sustainable Rural Development Strategy. The strategy incorporates a key lesson of experience—rural development programs must be implemented in a participatory manner to better respond to the expressed priorities at the local level (World Bank, 2002). This should be the model that all African countries follow.

One advantage of this empowerment model is that it allows rural people to select programs that address their determined needs and therefore provides the potential for agricultural diversification through nontraditional exports. This type of diversification is already being pursued in some countries such as Kenya, Uganda, and Ethiopia through their rapidly expanding cut flowers and horticulture subsector, for example. Other countries have been expanding their exports in other subsectors, such as fish and fish products, as is the case for Senegal and Tanzania (CFA, 2005). Such diversification must be pursued throughout the continent. It increases exports, employment, and incomes and therefore has the ultimate effect of improving development performance and reducing poverty. In Tanzania, for example, the World Bank (2007d) found that those most successful in moving out of poverty were farmers who diversified their farming activities by growing food crops for their own consumption as well as nontraditional cash crops, and raising livestock. People who remained in poverty were those who continued with the traditional farming methods. In Uganda's case, escaping from poverty was linked to the improving productivity of land and diversification into commercial crops.

## Developing Capacity

The need for, and the required approaches to, capacity development in Africa were discussed in the previous chapter. Africa generally suffers from weak capacity. All tiers of government are affected as well as the private sector. If Africa is to sustain its current momentum and effort to fulfill its promise, then this crosscutting issue of capacity development must be squarely tackled. In the past, many attempts were made to develop capacity through donor support. However, the results have been poor because, among other things, some fundamental principles were not adhered to in the interests of the beneficiary countries (see chapter 7). In Africa, the NEPAD has also identified capacity constraints as a major obstacle to sustainable development. Consequently, without capacity development Africa's quest to fulfill its promise could be significantly obstructed.

African countries, both individually and collectively, must take the lead in designing and implementing programs for their development of capacity. The fundamental requirement here is to develop capacity that leads to and/or sustains capable and effective African states that have the systematic ability to deliver services, maintain law and order, and raise and manage resources effectively. A capable state is a prerequisite for economic growth because it creates the environment for that growth to occur. A capable state demonstrates governance at every level. It is identified as a state in which the public service, the legislature, the judiciary and statutory bodies are empowered to provide an enabling environment for the private sector and civil society to play their respective roles for the building and maintenance of the foundations of an orderly society (Benn, 2004).

Developing capacity in Africa therefore requires that African governments must have the lead responsibility. Donors have a supporting role to play, particularly in providing the funding for such initiatives. However, donors must resist the temptation to impose their own technical assistance solutions. The lessons of experience indicate that such an approach has been more detrimental than beneficial to the desired outcomes not only in Africa but elsewhere also. Francis Fukuyama (2004, 88), for example, has pointed out that: "Every bit of technical assistance that displaces a comparable capability on the part of the local society should be regarded as a two-edged sword and treated with great caution." He (Fukuyama, 2004, 87–88) states further that:

> The local character of the knowledge required to design a wide variety of good administrative practices suggests that administrative capacity isn't actually

transferred from one society to another by developed-world administrators sitting around lecturing their less-developed counterparts about how things are done in their country or in a mythical "Denmark." General knowledge of foreign administrative practices need to be combined with a deep understanding of local constraints, opportunities, habits, norms, and conditions. This means that administrative and institutional solutions need to be developed not just *with* input or buy-in from the local officials who will be running local institutions, but *by* them.

Bearing this in mind, and as argued by the Commission for Africa, each African government should, in the context of their poverty reduction strategy and economic management policy, formulate an overarching capacity development plan that responds to the unique political economy of their country, including all levels of government and taking into account the local knowledge base (CFA, 2005). This plan should identify the capacity constraints, the steps necessary to overcome them, and the areas where donor support can contribute. This donor support should then be managed by the respective African governments. In South Africa, for example, a Technical Assistance Unit has been established in the National Treasury, staffed with South African nationals, to undertake capacity development tasks. It is demand driven and focuses on developing indigenous capacity, using local and international technical expertise and support (CFA, 2005). This model is being copied by other African countries, and the NEPAD Secretariat and the African Capacity Building Foundation are playing varying roles in promoting it.

The demand driven approach to capacity development (as opposed to supply driven approaches that tend to be owned by donors) is much more comprehensive in scope and focus and meets the fundamental principles for successful capacity development initiatives as discussed in chapter 7. It allows for a simultaneous focus on the three key areas of importance to capacity development. The first being the individual level that emphasizes human resource development, the process of equipping employees with the understanding, skills and access to information, knowledge, and training that enables them to perform effectively. It goes beyond skill acquisition. It is more about skill retention and utilization. The second is the organizational level that is concerned with organizational development, the elaboration of management structures, processes and procedures, not only within the organizations but also between the different organizations and sectors. The final key area is the institutional level that requires legal and regulatory changes, as well as changes to incentives, to enable institutions at all levels and in all sectors to enhance their capacities (Fraser-Moleketi, 2006; OECD, 2006). Within this framework, as African governments develop comprehensive capacity development strategies, donors should invest in them. Moreover, and as argued by the Commission for Africa (CFA, 2005) and Fukuyama (2004), donors should ensure that their efforts are fully aligned with these strategies rather than with their own ideas and priorities.

## Conclusion

Africa is on the move and has exhibited that serious attempts are now being made to enable the continent to fulfill its promise of better development performance to further reduce poverty, sustain good governance, and improve the livelihoods of the populace. Africa's new leadership is to be applauded for this turnaround in the region's fortunes. That new leadership eschewed the statist economic policies and monopolistic political tendencies of their predecessors in favor of a liberalized economic and political space. That liberalized space is now bearing the fruits of improved economic performance and stronger political development.

Africa's improved economic performance and stronger political development reflect the fact that its current political leaders are more concerned with doing what's best for their respective country, and the continent at large, rather than being concerned with their own political longevity. They are building capable and effective states to reduce poverty, improve livelihoods, and maintain good governance for the benefit of the current population and future generations. This good African leadership is not limited to the political realm. In the private sector and civil society, African leaders there are also taking ownership for development on the continent (World Bank, 2006a). Good leadership leads to good policy development and outcomes. This good leadership must continue to be fully supported by the international community as Africa tries to sustain the fulfillment of its promise.

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