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POVERTY, DEVELOPMENT AND DONOR ISSUES

Migration as Structural Transformation

An excellent, succinct, blog post about the benefits, and positive impacts, of migration with a strong recommendation about the need for more knowledge around the resistance to migration at the end. The author, Shantayanan Devarajan, is the Chief Economist of the World Bank’s Middle East and North Africa Region. He was the director of the World Development Report 2004; Making Services Work for Poor People.

When a poor person moves from a low-productivity job to a higher-productivity one, we usually celebrate. The worker is clearly better off; the hiring firm is no worse off; and it’s good for the economy as a whole. Indeed, development is often described as the process of structural transformation, where low-productivity workers (typically in agriculture) move to higher-productivity jobs in manufacturing or services.

But when that same worker happens to cross a national border, we call it “migration” and, instead of celebrating, we start investigating the effects on workers, firms and public finances in the new environment; and on those left behind (the so-called “brain drain”). Instead of promoting structural transformation, we look for policies to manage it.

Even more troubling, many of the statements made about the effects of migration on the receiving and sending countries are based on rhetoric rather than evidence. Thanks to painstaking data work and rigorous research by Michael Clemens, Lant Pritchett and my colleagues Manjula Luthria, Caglar Ozden and Dilip Ratha, among others, we now have a fairly robust picture of the effects of migration:

- Not only do migration patterns follow wage differentials, but those differences are huge and growing over time. A worker from Haiti moving to the U.S., or from Ethiopia moving to Italy, could increase his or her earnings seven-fold. No other development intervention can match this 700% gain. Nevertheless, the stock of migrants worldwide has grown only slightly faster than world population growth (opens pdf).

- The gains to the global economy of allowing labour to move to where it is most productive are truly massive—of the order of 100% of global GDP. By contrast, freeing up all restrictions to trade will generate gains of the order of 2-3% of global GDP.

- The effects of migration on the receiving country are positive. While some native workers (who are easily substitutable for migrants) may see their wages decline, most of the economy will see an increase in wages and employment, as migrants perform jobs—such as childcare services—that permit the economy to be more productive (for instance, by allowing both spouses to work outside the home).

- Across OECD countries, the fiscal burden of migration is either zero or slightly positive, partly because migrants tend to be younger and hence less of a drain on the health-care system.

- The effects on the sending country vary depending on whether the migrant is unskilled or highly skilled. If the former, there is generally a gain, since there is a glut of unskilled labour in poor countries and a shortage in rich ones. For skilled workers, there is some evidence that wages of the remaining workers goes down, but the effects are too small to justify the hype about the brain drain. The exception may be very small countries, such as those in the Pacific Islands or some in Africa. But even here, there is the possibility of migration “chains”, where skilled people from poorer countries fill the jobs vacated by those leaving to OECD countries. Furthermore, there is growing evidence of a “brain gain,” as the possibility of migrating abroad prompts more people to seek higher education in their own countries.

- Independent of the empirical magnitudes, there is an argument against skilled migration that goes as follows: since developing country governments paid for these people’s education, they—and not the receiving country—should get the benefits of their post-graduation services. This argument is fragile. First, it applies equally to those who join the private sector in their own countries. Secondly, if a skilled worker such as a doctor is offered a high-paying position in an OECD country, he or she is part of an internationally mobile workforce. If the source country wants to keep them, they should pay them internationally comparable salaries. The reason they don’t is political: they would have to raise the salaries of all the doctors in the country, including those
who are not internationally mobile. You
cannot solve this domestic, political
problem by restricting migration. Finally,

at least one study shows that Nigerian
doctors in North America remit more
than the cost of their education.

In light of all this evidence, why is there so
much resistance to migration? Why do so
many people try to control migration while
embracing structural transformation? Politics
cannot be the answer, as the small group of
people who are likely to lose—typically recent
migrants—are not powerful enough to block
such a major gain to society. It cannot be
due to racism because migrants (and,
increasingly indigenous populations) come
from all races. In his recent book, Paul Collier
suggests that migration may upset the social
equilibrium in the receiving country, whereby
the current residents are willing to pay for
the level of social services in their country,
given a particular ethnic mix. Migration will
change that mix.

Instead of modelling the effects of
migration, future research could usefully
model the resistance to migration. This
research will probably take us into the area
of behavioural economics. We should build
the empirical base to test hypotheses such as
the one above. And we should design policies
that are informed by the research on the
resistance to migration, rather than just the
effects.

Source:
http://blogs.worldbank.org/futuredevelopment/mig
ration-structural-
transformation?cid=EXT_TWBN_D_EXT (Click to

find the post which has hyperlinks to the research
supporting the assertions made in the article
above.)

South African companies spend more on
social investment

South African companies devoted about
R7.8bn (±US$550 million) to corporate social
investment [during 2013], despite not
knowing how much good it is doing, new
research released on Wednesday reveals.

Half of this spend comes from just 31
companies — mainly in the mining, financial
services and retail sectors, according to
Trialogue, a consulting company that
specialises in business sustainability and
corporate social investment (CSI).

Economic conditions have been tough
this year, but companies have managed to
increase CSI spend from last year’s R6.9bn
(±US$).

Fifty-five per cent of companies
increased their CSI expenditure in 2013,
while 20% kept their budgets the same. The
top 100 companies account for almost 70%,
or R5.4bn (±US$370 million), of all social
investment, which includes cash, goods and
services, according to Trialogue.

“Some company reputations clearly
benefit from this. But few are able to tell just
how effective their social investments are in
fostering positive societal change,” said Nick
Rockey, director at Trialogue.

Most corporate respondents — 95%
— had a system in place to monitor their
large CSI projects, but these tend to focus
more on monitoring than on evaluating the
impact of the initiatives.

Almost all of the companies surveyed
did physical site visits and documented the
inputs and outputs of projects.

“While CSI departments understand
the importance of gathering and analysing
evidence around their developmental work,
few companies fund or conduct useful
research to inform their work,” said Mr
Rockey.

About 84% of companies said the
moral imperative was a significant driver of
CSI, followed by reputation management.
But a significant share (44%) said the
Department of Trade and Industry’s
empowerment codes drove their CSI spend.

The same proportion of companies
determined their CSI budget according to the
broad-based black economic empowerment
codes’ guideline that calls for 1% of net profit
after tax to be spent on socioeconomic
development.

Companies, in practice, are actually
spending more than this — on average 1.4%,
according to Trialogue. The lion’s share of
CSI spend — 41% — went on propping up
South Africa’s ailing education system.

Social and community development
was the second most favoured sector,
receiving an average 15% of CSI spend.
Mining companies spent, on average, R62m
(±US$4,3 million) on CSI initiatives, often on
infrastructure projects in areas around their
operations.

Almost 80% of the companies
surveyed had employee volunteer
programmes and had started to introduce
formal volunteering policies, with almost two-
thirds of respondents employing dedicated
staff to run them.

“Since 2007, the prevalence of
volunteering policies has risen from 46% to
60% of corporate respondents having some
kind of policy in place,” Trialogue said.
However, few of these companies monitored
the social impact of these programmes.

Research was conducted between
June and August this year among 103
companies and 208 non-profit organisations,
using one-on-one interviews, online surveys
and analysis of annual reports to determine
their approaches to social investment over
the past year. Some state-owned enterprises were also included.

Source: http://www.bdlive.co.za/business/2013/12/04/sa-companies-spend-more-on-social-investment

A handy snapshot of the extent of CSI in South Africa, together with the motivation behind it, as well as the shortcoming of not evaluating or measuring impact. Monitoring does take place at least.

### ECONOMIC ISSUES

**Policy reform of South Africa’s small-scale fisheries sector: an upstream battle**

World Fisheries Day (celebrated each year on 21 November) comes at a time when the South African Parliament is considering legislation that many feel will finally give small-scale fisheries a rightful stake in the country’s marine resources.

During Parliament’s public hearings on the Marine Living Resources Amendment Bill in October 2013 the inputs from various small-scale fisheries associations and NGOs coalesced around a central message: pass this legislation without delay, the wait has been long enough!

South Africa’s fisheries legislation has been structured around three primary categories: commercial operators who were allocated individual quotas; a recreational sector; and a large subsistence category which incorporated a wide range of fishers targeting near shore resources. This framing of the sector, however, excluded thousands of small-scale fishers who were unable to secure the limited individual commercial fishing rights available, yet engaged in fishing as a commercial livelihood rather than fishing ‘for the pot’ on a subsistence level.

In many cases excluded fishers continued to exercise what they felt was their historical right to access marine resources, contributing to an opaque environment where illegal fisheries and overfishing have greatly reduced South Africa’s near-shore fish stocks, particularly high-value abalone and rock lobster. Interim relief quotas were introduced as a stop-gap measure to accommodate a greater number of small-scale fishers, but these were seen as inadequate in formalising the small-scale sector and have also been implicated in overfishing of the allowable quotas.

The adoption of South Africa’s Small-Scale Fisheries Policy in June 2012 was an important milestone in addressing the shortcomings of the country’s fisheries governance system, but the implementation of many aspects of the policy, including such central issues as the allocation of quotas to small-scale fishers, cannot proceed without the passing of the Marine Living Resources Amendment Bill. The principal feature of the new legislation is that the small-scale fishers sector will no longer be allocated limited individual rights or temporary interim relief quotas, but rather receive collective rights allocated to fisheries co-operatives. Fishers will also be allowed to target several fish species rather than being allocated rights to a specific species. This approach overcomes seasonal variability and is more in line with the historic, diversified and economically viable practices of small-scale fishers.

The struggle by South African small-scale fishers for formal recognition and support is mirrored in many fisheries-dependant economies, where large-scale industrial fisheries have tended to be prioritised in both the policy and research communities.

In recent years, however, there has been growing recognition of the role that small-scale fisheries can play in supporting livelihoods and contributing to food security, particularly within remote coastal communities where alternative livelihoods may be scarce. In 2011 the UN’s Food and Agriculture Organisation (FAO) initiated a wide-ranging consultative process aimed at the development of an international instrument in the form of guidelines for securing [sustainable small-scale fisheries (SSF Guidelines)]. The process is expected to lead to the adoption of the SSF Guidelines at the 31st session of the FAO Committee on Fisheries in June 2014.

Despite the progress made in the governance of small-scale fisheries, research conducted by SAIIA (South African Institute of International Affairs) on fisheries governance in Uganda and Mozambique has underlined the complexities faced in the sector.

Increasing numbers of fishers entering the sector, improved technologies that allow fishers to more effectively target existing stocks, limited monitoring capacity by fisheries officials, and widespread illegal fishing practices threaten the sustainability of many small-scale fishing communities. There is a strong sense of optimism that South Africa’s Small-Scale Fisheries Policy and the reform of the Marine Living Resources Act will allow numerous historic fishing communities that have long been excluded from the formal fisheries sector to again pursue a legal and economically viable livelihood, contributing to the revitalisation of many of South Africa’s coastal towns.
Questions remain, however, regarding the ability of South Africa’s near shore stocks to support an expanded small-scale sector. In 2012 the Department of Agriculture, Forestry and Fisheries (DAFF) released a report on the status of South Africa’s marine fishery resources, which noted that “most linefish stocks are currently in a collapsed state”. Abalone and rock lobster stocks, the most high value species for small scale fishers, are also in a collapsed state, with rock lobster populations at 3.5% of pristine levels. The Southern African Sustainable Seafood Initiative (SASSI) recently downgraded west coast rock lobster from a green to orange listing (encouraging consumers to think twice before buying due to sustainability concerns); a decision which DAFF has argued is unjustifiable given the rock lobster recovery plan currently being implemented by the department. However, SASSI has noted that rock lobster stocks remain at critically low levels and widespread illegal and unreported fishing have not been effectively addressed.

The reform process currently underway to allow historic small-scale fishing communities to participate legally in South Africa’s fishing sector is a critical development in redressing the inequity of South Africa’s fisheries governance system. There is a compelling case for the inclusion of a greater number of small-scale fishers on the grounds of social justice and economic development; however, the biological status of South Africa’s near-shore fisheries stocks are undeniably under severe pressure. Without more effective efforts to address illegal fishing and overfishing, therefore, the progress in small-scale fisheries policy reform may represent a hollow victory for fisheries communities.

The article speaks for itself; and see here [http://www.ecologyandsociety.org/vol18/iss4/art17/] for a case study of a fishing community in Ocean View, Cape Town, where researchers examine a Thyrsites (locally known as snoek – a fish species similar to Barracuda) fishery that operates differently, through a community supply chain and informal markets, than that of the high value individual transferable quotas regulated species, yet plays a significant role in the livelihoods of artisanal fishers and in the food security of poor households. The findings of this case study show the failures of existing policy frameworks and the implications for the implementation of the new small-scale fisheries policy in South Africa.

Benefits, including social, of cheaper African airfares

A very interesting blog article by Lee Crawfurd who is a development economist at Oxford Policy Management, where he is currently focused on education policy strategy and evaluation. (Hyperlinks are author’s.)

When thinking about regional integration in Africa we often think first of trade policy, telecommunications, ICT, and road infrastructure. But on a continent larger than China, India, the US, and Europe combined, air transport is inevitably going to play a key role in facilitating integration. For Africans to interact and do business with each other, they need to get there. Moreover, as incomes rise, patience with long and arduous road journeys is bound to diminish. On a personal note, I thought little of taking a 24-hour bus ride in East Africa as a student, but as a working professional I very gladly pay extra to take a one-hour flight instead.

However, Africa accounts for less than 2% of global airline passenger traffic and about 1% of global airlines’ cargo. The challenges facing the African aviation industry range from strong state protectionism, lack of an enabling environment for new investors, high taxes and charges (above comparative world averages), a poor safety record due to ageing fleet and insufficient regulatory supervision. Likewise, a lot of air transport infrastructure across the continent is in need of upgrade.

So how do we get safer, more efficient and cheaper airlines?

One of the key problems is a lack of competition which contributes to high fares. Although in some cases low passenger volumes may create natural monopolies, in many countries competition is artificially restricted by making it difficult for foreign airlines to access certain routes, in order for governments to support their own national carriers. This is despite an agreement more than 13 years ago to “open the skies.” The Yamoussoukro Decision (1999) was signed by 44 countries, who agreed to liberalize intra-African air transport, including allowing non-national airlines to land and take passengers to a third country – so-called “fifth freedoms” of the air. Implementing this decision could do much to reduce fares and increase air traffic across the continent.

All of this sounds fine in theory, but what about in practice? A comprehensive
2010 World Bank study led by Charles Schlumberger looked at a number of specific examples of what happened when routes have been liberalized in Africa. When the Nairobi-Johannesburg route was fully opened up in 2003, passenger volumes increased 69-fold. When the domestic South African market was liberalized, passenger volumes increased by 80%. On average in the Southern African Development Community (SADC), routes that were liberalized saw fares drop by 18%. The study estimates that full liberalization in the Southern African Development Community (SADC) region would increase passenger volumes by around 20%.

A more recent study was presented at the AfDB’s African Economic Conference by Megersa Abate, an Ethiopian transport economist, looking at air transport routes to and from Addis Ababa. While Abate did not find any impact of liberalization on prices, he did find large increases in the number of flights – up to a 40% increase. He concludes that in the long run competition is likely to reduce prices. Even without price drops, more flights and more routes are clearly needed.

Despite these potential gains, at present over a quarter of air routes in Africa are served by only one carrier. In total up to 70% of air transport is served by a monopoly carrier. Why are countries slow to “open the skies”? Too often it comes down to simple protectionism, driven by fear that the national carrier won’t be able to compete with the continent’s big players from Kenya, Ethiopia and South Africa as well as other competitors from the Gulf and beyond. Earlier this year it took the total collapse of Air Malawi for Kenya Airways to be allowed to operate flights between Malawi and other countries, despite “fifth freedom” rights already agreed to by Malawi through the Yamoussoukro Decision. Individual airlines and countries should not need to make ad-hoc bilateral agreements, when an agreement for open competition continent-wide already exists.

The challenge of financial viability and efficiency is not confined to Africa alone. Major European and American airlines have folded or receive billions in state aid, capital injections, and debt write-offs – demonstrating that the airline industry is fraught with difficulties. Moreover, developed and emerging markets have witnessed the growth of low-cost carriers which are allowed to compete on the same routes with the major carriers, thereby driving down prices. To be sure low-cost carriers in Africa face a host of additional challenges including high costs due to poor safety records and slow courts, but implementing “open skies” would be one less thing for them to worry about.

Lower airfares and more flights could generate a whole host of new economic opportunities. The successful flower industries in Kenya, Ethiopia and elsewhere rely critically on air transportation, as do other similarly perishable agricultural goods. International tourism earned Africa US$43.6 billion in 2012 (opens pdf) and directly created 8 million jobs. This could grow with increased and cheaper air transport.

Cheaper air fares will also likely have social benefits, facilitating interaction between people of different cultures. Increased intra-African tourism might also contribute to the non-economic aspects of integration goals, preparing the ground for stronger transnational feeling. Economists like to say that there is no such thing as a “free lunch.” But for the cost of some short-term political pain, Africa could gain some big economic and social benefits.

Source: http://www.afdb.org/en/blogs/integrating-africa/post/on-african-airlines-12723/#.UrXJE5ONf0.twitter

### POLITICAL ISSUES

The investment regime: break-out or reform?

This edition of the Southern Africa Scan newsletter is somewhat focussed on policy reform that can improve the lives of the poor. This refers not only to direct policy-making, such as that of the small-scale fisheries mentioned in an article above, but also policies that can affect the competitive position of nation states in which poor people live, including sustainable and economic development. Such is the case of article below, which deals with trade and investment decisions currently being made by South Africa. In this blog post, James Zhan, Director of the Investment and Enterprise Division at UNCTAD, argues that right now there is a unique opportunity to update and modernize investment treaties.

South Africa's systemic review of its bilateral investment treaties (BITs) has marched this somewhat sterile topic right up the pop charts. The country in the past three weeks has revoked BITs with Germany and Switzerland, following treaty terminations with Belgium, Spain and the Netherlands. Some other countries have also opted to break out of the regime. Australia is opting out of dispute settlement mechanisms, for instance. Several other countries are weighing their options.
There are several concerns with these treaties. But the system is not all bad. It can serve as a base to enhance predictability and security for foreign investments – much like the World Trade Organization does for trade. But for that to happen a more coherent, streamlined and fairer system needs to be established, otherwise countries will continue to break out.

A priority area for redress is the BIT regime’s compatibility with the development agenda. To an extent, investment treaties “freeze” a country’s legislative environment for foreign investors. This puts the treaties at odds with evolving sustainable development objectives. Some other concerns stem from provisions that are phrased in terms that are too general, or are not properly defined, and are therefore open to broad interpretation that may undermine developmental objectives.

The second problem is the investor-State dispute settlement (ISDS) mechanism. The allowance under investment treaties for private investors to sue States is unusual. In the WTO disputes can only be initiated by States. Moreover, whereas WTO panels can at most order erring countries to align their rules with their WTO commitments, States under investment disputes may be liable to costly awards against them. Last year a record award of $1.77bn was made against Ecuador, in a case brought by Occidental Petroleum Company of the US.

With access to ISDS an attractive feature, the number of investment suits has spiked. A cumulative 514 investment cases have been brought – compared to the 405 cases heard in the WTO. It is not to say investment disputes do not often have merits, but this system may serve as an incentive for investors to adopt creative means to gain access to ISDS and refer disputes to arbitration even when not strictly necessary.

There is also wide recognition that the arbitration process has flaws: arbitral findings, for instance, are sometimes inconsistent, which means divergent legal interpretations of similar provisions exit, undermining the predictability of the system. Moreover, no well-functioning appeals option is available. Because arbitration may result in costly findings against States it is not unreasonable to expect that it should function properly.

The acknowledgment of the system’s weaknesses has spurred change. Most new investment agreements negotiated these days simply don’t resemble the first generation BITs. Today’s treaties clarify provisions or give narrow definitions for terms such as “investment”, “fair and equitable treatment” and “expropriation” to better guide tribunals on treaty makers’ intent. The new treaties even provide for sustainable development and corporate social responsibility elements. Generally they strive to better balance the rights of investors and the obligations imposed on States.

But that does not solve the problem, because the current body of investment law continues to exist. And exist in the thousands. The international investment regime comprises just under 3,200 BITs – a bloated network of treaties, characterized by complexity and incoherence.

Instead of the piecemeal reforms induced by individual countries’ actions, a comprehensive multilateral review of the international investment regime would be far more useful to address systemic deficiencies, while strengthening its positive contribution to provide a stable regulatory environment for investment.

In the absence of a multilateral body to spearhead change, options for reform seemed bleakly absent until recently. However, two concurrent developments have opened the doors of opportunity.

The first stems from an increasing trend for countries to negotiate multiparty investment agreements within or between regions. Right now, 22 such regional negotiations are under way, involving 110 countries. This rising regionalism presents a valuable chance to streamline the system. If the negotiators of these regional pacts opt to replace existing BITs between all parties with a single regional treaty, this would be a giant step towards regime consolidation.

The second opportunity for reform is the one South Africa is using. Many countries have accumulated a stock of BITs concluded in the 1990s, whose expiration dates are now falling due. Expiry of the initial treaty term gives countries options to review, renegotiate or revoke.

According to an UNCTAD analysis, more than 1,300 treaties (40% of the current BIT network) will have reached maturity by the end of this year. This constitutes a stunning opportunity to update and modernize. It is that rare opportunity for countries to decide what they want from foreign direct investment (FDI) and refine treaties accordingly. This is the chance to align investment policy with environmental objectives and labour standards. It is also the moment to construct a more responsible investor-State dispute settlement mechanism.

The best forum for such an overhaul would be a multilateral one. The dynamics of multi-stakeholder engagements will ensure
that the interests of all parties involved are catered for and yield fairer and more balanced outcomes. A multiparty approach would also transcend narrow interests and more effectively address broader social, economic, environmental and developmental challenges.

The appetite for a multilateral investment agreement is absent. There is, nonetheless, a compelling argument to be made for incremental multilateralism. In the absence of a formal supranational institutional framework to spearhead this debate, UNCTAD has drafted an Investment Policy Framework for Sustainable Development [PDF] as an attempt to provide a road map. But we will reach further, faster, through a formal multilateral process.

South Africa's reframing of investment protection shows there are ways to improve the system. The hope is that current developments spur a multilateral moment for the investment system. The world indeed needs an updated regime that heeds sustainable development imperatives.

Source: [http://www.thetradebeat.com/content-type/opinion-analysis/item/301-the-investment-regime-break-out-or-reform](http://www.thetradebeat.com/content-type/opinion-analysis/item/301-the-investment-regime-break-out-or-reform)

### Can cities change the politics of fragile states?

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**An op-ed by Seth Kaplan who is a Professorial Lecturer in the Paul H. Nitze School of Advanced International Studies (SAIS) at Johns Hopkins University. He teaches, writes, and consults on issues related to fragile states, governance, and development. He is the author of *Fixing Fragile States: A New Paradigm for Development* and a forthcoming book on poverty and state governance. The article appeared on Global Dashboard, which explores global risks and international affairs, bringing together authors who work on foreign policy in think tanks, government, academia, and the media. (Hyperlinks are author's.)**

Discussions about how to fix fragile states usually start and end with national level politics and institutions. But what if the key to improving their condition lies elsewhere – in their major cities?

As Tom Goodfellow, Dennis Rodgers and Jo Beall recently pointed out, “cities are where state-building projects in the developing world unravel rather than consolidate.” This is so because “violent civic conflict is generally linked to state failures to provide security, growth and welfare in urban areas and is exacerbated by the particular nature of the latter.” Moreover, “civil conflicts tend to drive rapid urbanization [and] then civic conflict is a common response to that rapid urbanisation.”

Competition between groups for control of cities and their resources mark the landscape of many fragile states, producing protests and riots (in the Arab world), gang crime (in Central America), criminal activity (across West Africa), and even terrorist attacks (in Beirut, Karachi, and Baghdad). Often these are the result of a failure to provide institutionalized mechanisms for political contestation and large-scale social exclusion.

As more and more people live in cities in fragile states the only way to improve lives in these countries is by improving the governance of the metropolises where they live. Almost one-half of the developing world’s population now lives in cities, and rapid urbanization will grow this proportion to almost two-thirds within a few decades. Although the numbers for fragile states will run somewhat behind these totals, the cities in these places are still rapidly growing. Lagos already has over 20 million people. Cairo, Karachi, Dhaka, and Kinshasa are all in a similar class.

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<th>South Africa’s reforming of investment protection shows there are ways to improve the system. The hope is that current developments spur a multilateral moment for the investment system. The world indeed needs an updated regime that heeds sustainable development imperatives.</th>
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<td><strong>Source:</strong> <a href="http://www.thetradebeat.com/content-type/opinion-analysis/item/301-the-investment-regime-break-out-or-reform">http://www.thetradebeat.com/content-type/opinion-analysis/item/301-the-investment-regime-break-out-or-reform</a></td>
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| [http://www.tralac.org/2013/11/20/south-africas-promotion-and-protection-of-investment-bill/](http://www.tralac.org/2013/11/20/south-africas-promotion-and-protection-of-investment-bill/) for some analysis on the issue by trade law centre (tralac), and here [http://www.vcc.columbia.edu/content/lesson/south-africa-s-bits-review](http://www.vcc.columbia.edu/content/lesson/south-africa-s-bits-review) for an op-ed by South Africa’s Deputy Director General of the Department of Trade and Industry. For Joseph Stiglitz’s view on the matter, see here [http://www.project-syndicate.org/commentary/joseph-e-stiglitz-on-the-dangers-of-bilateral-investment-agreements](http://www.project-syndicate.org/commentary/joseph-e-stiglitz-on-the-dangers-of-bilateral-investment-agreements). He concludes: “It is no surprise that South Africa, after a careful review of investment treaties, has decided that, at the very least, they should be renegotiated. Doing so is not anti-investment; it is pro-development. And it is essential if South Africa’s government is to pursue policies that best serve the country’s economy and citizens. Indeed, by clarifying through domestic legislation the protections offered to investors, South Africa is once again demonstrating – as it has repeatedly done since the adoption of its new Constitution in 1996 – its commitment to the rule of law. It is the investment agreements themselves that most seriously threaten democratic decision-making. South Africa should be congratulated. Other countries, one hopes, will follow suit.” |
The scope for improvement is vast. For tens of millions of people, existence in cities in fragile states—and many developing countries beyond—is precarious to say the least. A United Nations Human Settlements Program report declared, “The urban poor are trapped in an informal and ‘illegal’ world—in slums that are not reflected on maps, where waste is not collected, where taxes are not paid, and where public services are not provided. Officially, they do not exist.” Around a billion people—almost half of the developing world’s urban population—live in slums.

Urban planning in Africa and South Asia is incredibly out-dated, exacerbating problems in the regions with the worst urban problems. A recent report by the Africa Research Institute pointed out, “Urban management is notoriously erratic and fragmented, and the overwhelming majority of buildings are constructed in contravention of planning laws.” Illegal structures predominate, planning and building laws are often used against vulnerable groups, and wealthy and powerful elites act with impunity. As is the case for much else in these countries, there are really two sets of laws: one for the most powerful actors and another for everyone else.

Despite the many difficult challenges they face, cities are easier to fix than states. The political dynamics of running a city are potentially much more favourable than that of a fragile country for a number of reasons:

- First, elections work differently. Whereas national polls pit various ethnic and religious groups against each other, and turn into a mud fight between elites for control of rents earned from natural resource wealth or foreign aid, a city’s compact size, blurring of identities, and daily grind makes elections more a test of competence and pragmatism. There are also many more ways to hold officials accountable in a city than in a huge weakly cohesive country.
- Second, the compact size of cities make the creation of mechanisms to promote collective action and to institutionalize negotiation between disparate societal interests easier than at the national level. As Goodfellow, Rodgers and Beall point out, “cities arguably also offer the greatest potential for the development of inclusive institutions for managing political conflict rather than suppressing it. The concentration of diverse actors and state institutions in cities make them, in theory at least, critical spaces for institutionalised forms of political debate and participation that translate into demands on the state rather than violence.”
- Third, the powerful and wealthy actors who strongly influence how government works in poor countries are more likely to desire better governance when they live in a place—and not in a distant capital.
- Fourth, there is ample scope to increase local taxation, which is crucial for increasing the accountability of officials. Whereas national governments often depend on foreign sources of revenue—natural resources and foreign aid—the more dynamic cities have no need to. The more they depend on taxes, the greater their motivation will be to enhance services, improve infrastructure, and invest in activities that expand business activity. The better they work, the more money they earn. Lagos, for instance, earns almost three-quarters of its money from local taxes and fees. In contrast, Nigeria’s central government, which is awash in tens of billions of oil money, earns only one-fifth of its revenue from local taxes.
- Fifth, as improving public services is easier in a city than a whole country—there are fewer geographical, infrastructure, and political bottlenecks—politicians have a greater incentive to try. When you cannot win an election based on delivering the goods—as is often the case in Africa—leaders are more likely to focus on ethnic politics or corruption to do so.

What all this means is that cities need to become a much larger focus of attention for those wishing to improve fragile states. Devolving more power to cities—and their surrounding areas—offers a chance to remake the political dynamics that currently hold back whole countries. Once that is done, effort could be concentrated on improving electoral processes, forging developmental political settlements (just as important here as in national politics), and strengthening tax administrations and planning offices.


A very useful piece that may serve to validate Rockefeller Foundation’s decision to focus on developing world cities and their dynamics.
Remitting to Zimbabwe: Migrant experiences and remittance strategies in Botswana

Below is an abstract of a recently published graduate research paper by Riley Dillon, commissioned by the Africa Initiative (AI), which is a multi-year, donor-supported program, with three components: a research program and an exchange program (both recently concluded) as well as an online portal. An undertaking led by The Centre for International Governance Innovation, the Africa Initiative aims to contribute to the deepening of Africa’s capacity and knowledge in five thematic areas—conflict resolution, energy, food security, health, and migration, with special attention to the cross-cutting issue of climate change. By incorporating field-based research, strategic partnerships, and online collaboration, the Africa Initiative is undertaking a truly interdisciplinary and multi-institutional approach to Africa’s governance challenges. Work on the core areas of the initiative focus on supporting innovative research and researchers, and developing policy recommendations as they relate to the program’s core thematic areas.

Economic and political crisis in Zimbabwe since 2000, characterized by political repression, economic turmoil and soaring unemployment rates, has led thousands of individuals to emigrate in search of new opportunities in neighbouring countries and further afield.

The remittances sent home by these migrants often play a key role in alleviating poverty for households and thus, arguably, within the national economy. Drawing on key informant interviews, as well as in-depth interviews with twenty migrants in Botswana and fifteen of their family members in Zimbabwe, [the] paper provides an overview of these Zimbabwean migrant remitters, their remitting purposes and patterns and the potential developmental impact of the goods and money they send. These Zimbabwean migrants are reliable remitters, and some are open to formalizing their remittances and to participating in development initiatives at home. However, they face a number of barriers to doing so. These include:

- their living and working conditions in Botswana;
- difficulty accessing information and opportunities for investment in Zimbabwe;
- the Zimbabwean government’s lack of constructive engagement with the diaspora on policies directed at them; and finally, and
- the absence of organization and representation among the Zimbabwean diaspora in Botswana.


Download the pdf version of the research paper here:
http://www.africaportal.org/sites/default/files/no2.pdf and see here:
http://www.africaportal.org/articles/2013/08/16/formal-and-informal-remittance-systems-zimbabwe for the accompanying background paper which in summary states:

- “It is estimated that yearly remittance transfers to Zimbabwe amount to USD $490 million. However, this amount does not include informal remittances sent in from neighbouring countries.
- Governments and international bodies most often favour formal remittances, as they are reliable and regulated. Informal remittances, however, are usually more accessible, particularly for migrants in low-income categories.
- Attempts to formalize remittances must take into account the advantages of informal systems for migrants, so as to retain the accessibility of these long standing systems.
- Undermining informal transfer methods would likely widen inequality and be counterproductive to overall poverty alleviation and development efforts.”

Impact of Africa’s innovation hubs: Too early to call?

Innovation and technology hubs have been springing up across the continent in recent years. From Hive Colab in Uganda, to iHub in Kenya and to kLab in Rwanda, these ICT hubs were founded in an effort to catalyse tech and innovation by establishing a common space for knowledge transfer and resource sharing for Africa’s aspiring and tech savvy entrepreneurs.

According to Hilda Moraa, a senior researcher at iHub in Kenya who spoke at the AfricaCom conference in South Africa last month, the hubs are growing at a tremendous rate. "Currently we have more than 90 hubs in Africa and the number just keeps on growing. According to the latest statistics that I saw, in every two weeks there is a new hub starting in Africa. And
what does that mean? Are we saying that this is the best way to build entrepreneurship and youth development in Africa?"

However, because these innovation hubs are relatively new on the continent, it is difficult to tell yet if they are successful in their goal of preparing and turning out techpreneurs and commercial business ideas.

"We have been conducting a research study to understand clearly how these hubs work and who is actually doing the right thing; we don't know because most of them are in their early stages," explained Moraa. "So it's very difficult to know who is doing the right thing, who has the best model to scale, who has the best sustainability practices in place that other hubs can [use as a tool kit to grow]."

According to Moraa, the most important thing Africa's innovation hubs can do is collaborate and learn from each other.

Many of these hubs share common challenges - such as limited resources, reliance on funding by donors and governance struggles - and while they might have different governance structures and membership models, it is necessary for them to share their successes and failures.

Moraa said it became clear from her research that most of these hubs, if not all, where looking for more partnerships with both public and private institutions, such as mobile operators and local universities who could, for example, provide market research. She added that they also need the support of government to provide research and development, as well as monitoring and evaluation programmes.

Collaboration between the different hubs is also needed to share ideas on engaging hub members. Networking events and competitions are ways of keeping members involved and inspired, while inter-hub member exchanges can allow members of various hubs in other countries to connect and share knowledge with each other.

"The road to success of these hubs is really going to be a long journey and no one up to now really knows how to do it... Most of these hubs are in the early stages and I think that the most important thing is for them to realise that they need to work with other people to build sustainable models as well as be at the centre of helping the entrepreneurs build their ventures," added Moraa. "Because if the entrepreneur is not successful then automatically the hub is not successful."

Source: http://www.howwemadeitinafrica.com/impact-of-africas-innovation-hubs-too-early-to-call/33491/?utm_source=twitterfeed&utm_medium=twitter&utm_campaign=Feed%3A+HowWeMadeItInAfrica%28HowWeMadeItInAfrica%29

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**Exploring the role of intellectual property in open development**

The September 2012 edition of the Southern Africa Scan newsletter reported on the Open African Innovation Research and Training (Open A.I.R.) Project which is investigating how intellectual property (IP) regimes can be harnessed in Africa to facilitate innovation through collaboration – and through making processes more participatory, knowledge more accessible, and benefits more widely shared. This project has now culminated This project has now culminated, when from 9 to 13 December 2013, delegates from national and international governmental entities, the private sector, civil society and academia gathered for five days of interconnected events in Cape Town, South Africa. Hosted by the University of Cape Town (UCT), participants engaged with diverse perspectives and future scenarios for intellectual property (IP), innovation and development during the combined 3rd Global Congress on IP and the Public Interest and Open A.I.R. Conference on Innovation and IP in Africa.

The Congress & Conference also featured the launch of two books on IP, innovation and knowledge in Africa: (1) a book published by UCT Press and authored by Open African Innovation Research and Training Project (Open A.I.R.) researchers, entitled *Innovation and Intellectual Property: Collaborative Dynamics in Africa*, and (2) a compendium of forward-looking research with scenarios, *Knowledge & Innovation in Africa: Scenarios for the Future*.

The ground-breaking scenarios report grapples with the complex and dynamic forces shaping innovation systems over the next two decades. It distills three different but equally plausible future scenarios: one a world of “wireless engagement,” another where “informal is the new normal” and a third that is “sincerely Africa.” Each scenario raises different issues for control and access to knowledge in Africa. The book is fully illustrated and in full colour. It is well worth downloading, and can be accessed here http://www.openair.org.za/images/Knowledge-Innovation-Africa-Scenarios-for-Future.pdf (opens pdf)

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**Google Translate launched in Zulu, Hausa, Yoruba, Igbo and Somali**

Whether you're trekking to a new place or simply trying to communicate with someone who doesn't share a language with you, Google Translate can help you connect to new information and people. [On 11 December 2013 Google Translate] launched 9 new languages that span Africa, Asia, and
Oceania and have over 200 million native speakers, collectively.


- Hausa (Harsen Hausa), spoken in Nigeria and neighbouring countries with 35 million native speakers
- Igbo (Asu Igbo) spoken in Nigeria with 25 million native speakers
- Yoruba (èdè Yorùbá) spoken in Nigeria and neighbouring countries with 28 million native speakers
- Somali (Af-Soomaali) spoken in Somalia and other countries around the Horn of Africa with 17 million native speakers
- Zulu (isiZulu) spoken in South Africa and other south-western African countries with 10 million native speakers

There are lots of languages in Africa, and this is the largest expansion into African languages to date (Google Translate supports Swahili and Afrikaans already). The more language is used on the web, the higher chances for [Google Translate] to launch it one day.

Source: Google Africa Blog [http://google-africa.blogspot.com/](http://google-africa.blogspot.com/)