Prospects for economic governance: resilient pro-poor growth

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Abstract

Purpose – *The purpose of this paper is to discuss the potential of the present drivers of economic governance, trade and investment, and also to envision their intersections and cross-cutting impacts on poverty and human development.*

Design/methodology/approach – *A general review is employed to highlight scenarios shaping Africa's economic governance and the magnitude of their impact on pro-poor growth. Potential responses are identified to address African vulnerabilities to poor governance and alternative dimensions to achievable equitable future are recommended for implementing those measures as a way forward.*

Findings – *The paper observes that changes to the policy environment should include reform in Africa's governance and policy processes by supporting participation by a variety of actors including the poor rural farmers and women among others.*

Research limitations/implications – *A broader literature review to support some of the recommended alternative dimensions is needed.*

Practical implications – *The existing economic governance structure in Africa does not include stakeholders. Changes to the policy environment should include reform in Africa's economic governance and policy processes by supporting participation by a variety of actors including the poor rural actors (farmers and women) among other underrepresented groups.*

Originality/value – *The paper uses foresight and futures in discussing alternative scenarios for economic governance as relatives to poverty reductions and human development.*

Keywords *Economics, Africa, Economic growth, Forward planning*

Paper type *Research paper*

1. Introduction

Good governance has been emphasized as a prerequisite for sustainable economic development. It gives the highest priority to poverty reduction, human development, productive employment, social integration and environmental regeneration. The economic costs of poor economic governance are immense. The global financial crisis commencing in 2008 was triggered by subprime risk as a result of a failure of regulatory and professional governance. Projecting to 20 years from now, one of the major problems African economies may face is the creation of a conducive economic environment for resilient pro-poor growth. Although this seems to be a formidable challenge, future desired outcomes will depend on current actions through a careful examination of alternative scenarios and paradigms of economic governance. This paper elucidates possibilities of policy application to effectively govern the continent through the minimization of shocks as a means of attaining resilient pro-poor growth.

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2. Alternative scenarios shaping Africa's economic governance

History informs the future, which commences today. Today's actions will shape Africa in 2030 depending on how individual African countries view current challenges (short, medium or long term). Given the civil strife, political and economic instability, disease and poverty in several African countries, performance will be differentiated under these devastating burdens. To achieve equitable economic growth, sub-Saharan Africa countries will increasingly have to face paradigm shifts in their approaches to economic governance, trade and investment.

A multitude of forces will help shape Africa's economic governance in the next 20 years: Indo-Chinese-Africa relations; China and India's role in Africa's economic governance; foreign aid; rates of economic growth; demographic changes; the role of the diaspora; conflict; the role of private sector and democracy.

2.1 Trade

A majority of developing countries depend on the commodity sector as their largest source of revenue and employment and a major source of external finance (foreign exchange) for development. Some 83 developing and least-developed countries derive more than 30 per cent of their export earnings from the export of primary commodities. Besides the problem of prices, the marketing and processing of these commodities (i.e. value addition) is largely skewed against the developing countries that produce them. Also, despite the current respite in the downward trajectory of most commodity prices, low-income commodity-dependent developing countries continue to face difficulties in retaining international market shares. Thus it is vital that issues relating to commodities be urgently and adequately addressed at the international level – although at present it is not clear how just that could be achieved.

The presence of important resources and the emergence of China and India on the world market have brought about major changes in the character of the global commodity market and this could give Africa an opportunity to enjoy the benefits of high commodity prices despite global economic fluctuations. Imports and exports between Africa and China grew from US$10.6 billion to US$73.3 billion between 2000 and 2007, with sub-Saharan Africa accounting for US$7 billion and US$59 billion respectively. Similarly, Chinese foreign direct investment (FDI) stock in Africa has grown from US$49 million in 1990 to US$2.6 billion in 2006. This corresponds approximately to a 30 percent growth in annual trade and investment since the late 1990s between Africa and China (MOFCOM and UNCTAD, 2007). By 2015 and beyond, China is expected to import some 10 billion barrels of oil per day from Africa. To expand its own industries, India has already invested about US$100 million in Africa and plans to triple this by 2010. In addition to oil, Africa has a treasure chest of other mineral and natural resources of importance to China and India. These resources give Africa more financial resources and political leverage, as well as an opportunity to increase its economic growth rate, trade and investment opportunities (Coles, 2007).

With globalization and technological change, there is a trend towards the establishment of global production and distribution chains, as well as network-based industries such as in computer software. There is a danger that such trends, together with recent trends relating to mergers and acquisitions (M&As), may be leading to a concentration of market power in a few global enterprises and reduced competition in the markets involved, thereby facilitating anti-competitive practices. How these M&A activities continue to play out remains to be seen, but anticompetitive practices may reduce domestic and global efficiency gains as well as the welfare benefits that should arise from liberalization. They will also adversely affect the trade and development prospects of African countries, their enterprises, especially small and medium enterprises (SMEs), and their consumers.

Issues at the intersection of trade liberalization are climate change and biodiversity; new environmental, health and food-safety requirements; and access to environmental goods, services, technologies and related sustainable production methods. They will pose formidable challenges for African governments in the years to come as any attempt to reduce poverty will have to take the natural environment into consideration (UNCTAD, 2008). Moreover, most of Africa relies on trade in agricultural products which are in turn reliant on rain. As a result, it is highly vulnerable to changes in climate variability, seasonal shifts and unreliable precipitation patterns. Roughly 70 per cent of the population lives by farming, and

40 per cent of all exports are agricultural products (WRI, 1996). Equally, biodiversity is an important trade resource for African people. Given the heavy dependence on natural resources in Africa's trade, many communities are vulnerable to the biodiversity loss that could result from climate change (IPCC, 2001).

2.2 China and India's role in Africa's economic governance

China's policy of non-interference in the internal affairs of other nations fits well with the preferences of many African heads of state. To date, however, China's only explicit demand for entering into commercial relations is a complete break of links with Taiwan. African countries, especially those with sensitive relations with the international community, rely on China not only to counterbalance pressure from the west, as in Gabon and Congo-Brazzaville, but also to avert international isolation. China has strengthened its military cooperation with Zimbabwe, Angola and others by delivering light armoured vehicles and equipment (Lyakurwa, 2006).

2.3 Foreign aid and economic governance

Aid could influence economic governance in several ways. On the one hand, aid might be associated with improved governance because it is often used for training bureaucrats and reinforcing the legal system and public financial management. For example, the World Bank's support to anticorruption efforts by strengthening institutions has become a proven component of her Country Assistance Strategies (World Bank, 2005). Foreign aid however has the potential to weaken government accountability by retarding the development of the healthy civil society needed to underpin democracy and the rule of law. Svensson (2000) finds that aid increases corruption in ethnically fractionalized countries, which is a characteristic of most African countries. Knack (2004) finds that higher aid can worsen bureaucratic quality and increase corruption. Djankov *et al.* (2008) similarly find that high aid caused setbacks to democracy over 1960-1999. A research project by the African Economic Research Consortium (AERC), on the other hand, found that in the right circumstances and with proper management aid has contributed to economic growth and good governance in a number of countries (Lancaster and Wangwe, 2000; AERC, 2001).

2.4 Economic growth and economic governance

Economic growth is a necessary but not sufficient condition for African stability and prosperity. The investment firm Goldman Sachs recently produced a report forecasting Africa's economic growth prospects. The report predicts that Africa's real growth output for the continent as a whole could accelerate to 5 percent during the next ten years, decline to 4.6 percent for five years and then have close to a 4 percent growth rate until after 2030. If these predictions prove to be correct, this projected growth rate will have a major impact in reducing poverty and in improving the quality of life for Africa's citizenry (Coles, 2007). Political, economic and business governance have been cited as the best avenue towards sustainable economic growth (UNECA, 2005). This notwithstanding, African countries growing relatively quickly will require resources to pay for the provision of social services, e.g. education and health, fight endemic diseases such as HIV/AIDS, malaria and tuberculoses (TB), and fund police and military units that promote security.

2.5 Demography

Demography has a role to play in shaping Africa's economic governance over the next 20 years. Despite high child mortality rates (one of every five children under the age of five annually), the population now stands at under 800 million people, and is expected to grow to over two billion by 2050. In this century, Africa will have one of the world's youngest populations, with only 10 percent of its citizens over the age of 60 by 2050, compared with 37 percent in Europe, 27 percent in North America, 23 percent in Asia and 22 percent in Latin America. With appropriate education and skills this young population could offer the global business community a very young and talented labour force and a much lower tax burden than the ratios offered in the more advanced countries in the northern hemisphere. While these trends have potential to yield higher investments on the African continent and generate the employment and income needed to help African countries grow their economies (Coles, 2007), it should be adequately controlled so as not to strain governments' delivery of social services. Labour mobility is becoming a hallmark of the latest wave of globalization. There are increasing opportunities for labour integration and mobility in the context of trade and investment-led globalization as never before as a result of several factors: the growing complementarities between developed and developing countries with respect to demographics and the labour force. The challenge is to ensure that there is more ''gain'' than ''drain'' in the process of migration. There is scope for win-win gains for both developed and developing countries from liberalizing the movement of people (Holzmann, 2005 and GCIM, 2005).

2.6 Role of the diaspora

Another possible determinant of Africa's future is how well the continent interacts with its diaspora, an element that will become even more significant for African countries in the next 20 years. Africa's diaspora is a potentially important source of remittances and investment. Already, funds sent from Africans abroad are among the most important foreign exchange earnings for many countries. This ''export'' must be managed efficiently, however, as the charitable component of remittances is likely to decrease with time as it disconnects from the origin, more so given the current global economic turmoil. It is furthermore simply not sustainable for a country to depend on such contributions for its economic future.

2.7 Conflict

The security challenges facing Africa have changed profoundly in many countries and if not contained will have far-reaching consequences for Africa's growth path. Armed conflicts are driven by a variety of factors, not least a militaristic ideology and a craving to amass wealth from natural resource exploitation that incubates a frightful regime of terror and insecurity (Boyd, 2005, p. 117; Abdullahi, 2004). Second, the collateral damage in terms of human, social and infrastructural capital losses is enormous. One study indicated that ''armed conflict is surely one reason why at least 250 million people in sub-Saharan Africa – nearly half of the population – are living below the poverty line'' (Colletta *et al.*, 1996, p. 9). A third point has to do with the unsettling but legitimate fear that identity and resource-induced conflicts could undermine and consume whatever modest progress may have been achieved on the continent. These complex security concerns are compounding national security challenges and bring about ''diseconomies of scale'' feeding directly into security problems, particularly for larger countries that have greater trouble policing their territories (Herbst and Mills, 2006). An acknowledgement of the security priorities and challenges that the New Partnership for Africa's Development (NEPAD) is meant to address is itself an affirmation that it is in the security sector that immediate and concrete institutional and policy frameworks are most urgently needed.

2.8 The private sector

A dynamic private sector is important for economic growth. Twenty years from now the emergence of a dynamic private sector will be especially important to Africa. The private sector can act as a source of energy and innovation for many societies, and as an important link to the international economy. Another positive development is the emerging ability of domestic private sector companies to operate and manage infrastructure facilities. In Malaysia, the Philippines, Indonesia and other Asian countries, local companies are beginning to establish their credentials for operating water and wastewater systems and other services. Political stability, prudent macroeconomic policies and credible governance are important prerequisites for private sector growth making Africa lag behind in private sector participation in infrastructure financing and management. Public policy that reduces the barriers to participation and competition for service contracts by domestic firms could improve this trend (World Bank, 2004, p. 17). Further, African governments need a continual stream of new ideas and a dynamic regulatory reform agenda for active private sector participation.

2.9 Democracy

Insights into the democratic experiences on the continent show that Botswana has enjoyed decades of uninterrupted multi-party politics (but single-party rule) under a political system that mixes Western-style liberal democracy with traditional top-down structures. Benin democratized rapidly and relatively successfully after a long period of dictatorial rule, providing a transition model for several other African countries (Brown and Kaiser, 2007). Transitions to democracy however remain incomplete in countries such as Burkina Faso; Cameroon; Chad; Gabon; Gambia; Guinea; Togo and Zimbabwe with some reversals by military coups in Burundi; Central African Republic; Congo (Brazzaville); Côte d'Ivoire; Niger; Nigeria; São Tomé and Príncipe, and more recently in Mauritania and Guinea. One optimistic sign of change however is the new generation of leaders under the auspices of the African Union (AU). Initiatives by this organization include the adoption of NEPAD, which proclaims better governance as an essential precondition for Africa's progress. This partnership has also yielded a peer review mechanism (PRM) to enable African states to compare their achievements and failures with those of their neighbours. Some 23 countries have already signed up to be judged by this new peer review body. More certain is that democracy will require some economic and social development for it to survive (Bratton and van de Walle, 1998).

2.10 Investment

Sustainable investment, both domestic and foreign, is needed in order to accelerate economic growth and progress in poverty reduction. It is however encouraging that sub-Saharan Africa is ranked topmost reformer of its economic regulations, apart from Eastern Europe and the OECD countries, thereby moving up from last place to third. Development assistance and debt relief are important drivers of investment but insufficient to achieve sustainable economic growth. Areas such as infrastructure, extractive industry, tourism, agribusiness and ICT are particularly important drivers of development, and require support from development partners in order to attract further investors (APF, 2007). New forms of cooperation for improving the investment climate in Africa, such as the Investment Climate Facility (ICF) and the Infrastructure Consortium for Africa (ICA), with its focus on investment in infrastructure, will further boost investment. Corporate responsibility such as the transparency initiatives, including the Extractive Industries Transparency Initiative, and the Conventions against Corruption, will strengthen action to implement the OECD Anti-Bribery Convention and to detect, recover and return illegally acquired assets held outside Africa. However, a variety of risks will continue to hold back increases in investment, including local currency risks and loans to the agricultural sector, which is prone to the vagaries of climate change and low repayments (UNCTAD, 2008).

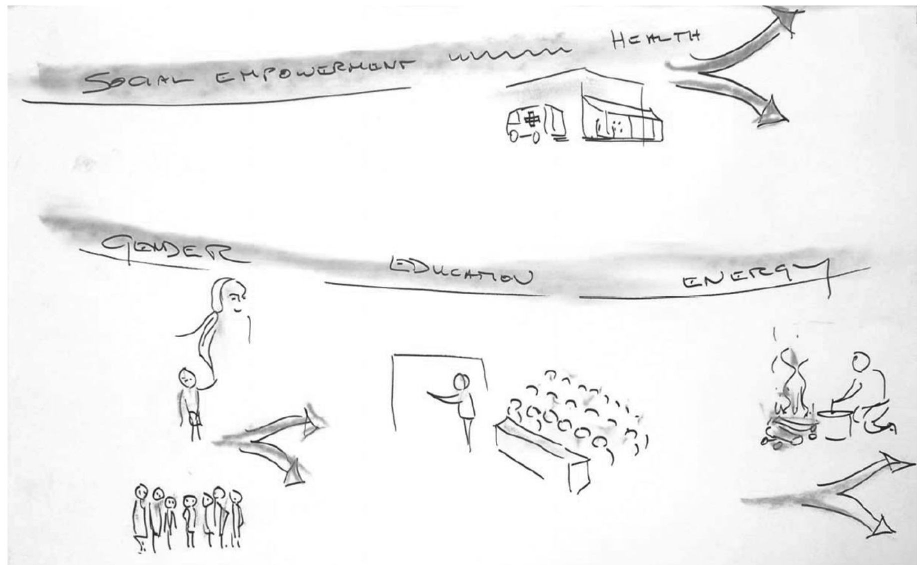
3. The impact of alternative futures on pro-poor growth

Many governance measures can effectively promote resilient pro-poor growth, thus leading to improved human development and reduced poverty. First and foremost, good governance will promote peace, which is the foundation of growth. But other measures significantly include social empowerment and political participation; improving the provision of energy (see Figure 1); and promoting science and technology. Today's world also requires attention to the demands of adapting to climate change.

3.1 Social empowerment/access to energy

Empowerment gives people dignity, a sense of inclusion and the moral strength to help themselves economically. Block (1991) posits that social empowerment increases a sense of responsibility and ownership and takes governance to the masses. The Grameen Bank of (rural) Bangladesh is renowned for its microenterprise development approach: small loans to poor women encourage individual businesses, which then generate new employment opportunities. The Government of Botswana has been fighting to reduce poverty and improve the welfare of the marginalized through programmes and policies such as the Financial Assistance Policy (FAP). The government also embarked on providing social services maternal and child health programmes with a view to addressing extreme poverty

Figure 1 Social empowerment and economic growth



in the country (World Bank, 1997). Figure 1 depicts that from the perspective of social empowerment high level of economic growth is achievable.

3.2 Access to energy

Energy is key to sustainable development, bringing major benefits to public health, social welfare and economic productivity (see Figure 1). Since affordability is the main barrier to access, efforts to tackle energy poverty need to go hand in hand with broader policies aimed at raising incomes and promoting economic development. The Tunisian government expanded electricity access from 37 per cent in the early 1970s to an impressive 99 per cent in 2006. To reduce high dependence on bio fuels, the government of Kenya has introduced a number of measures to improve access to and the affordability of LPG (liquid petroleum gas). Households' access to credit was improved, largely through the Kenyan Union of Savings and Credit Cooperatives (KUSCCO). Rapid growth of LPG followed the decision to remove value added tax (VAT) and import duty on LPG, and to set standards for LPG stoves, cylinders and accessories. The acceleration in the penetration of LPG in Kenya demonstrates the facilitating role governments can play, providing a policy and regulatory framework attractive to prospective energy and financial investors, and to users (Kabutha *et al.*, 2007).

3.4 Science and technology

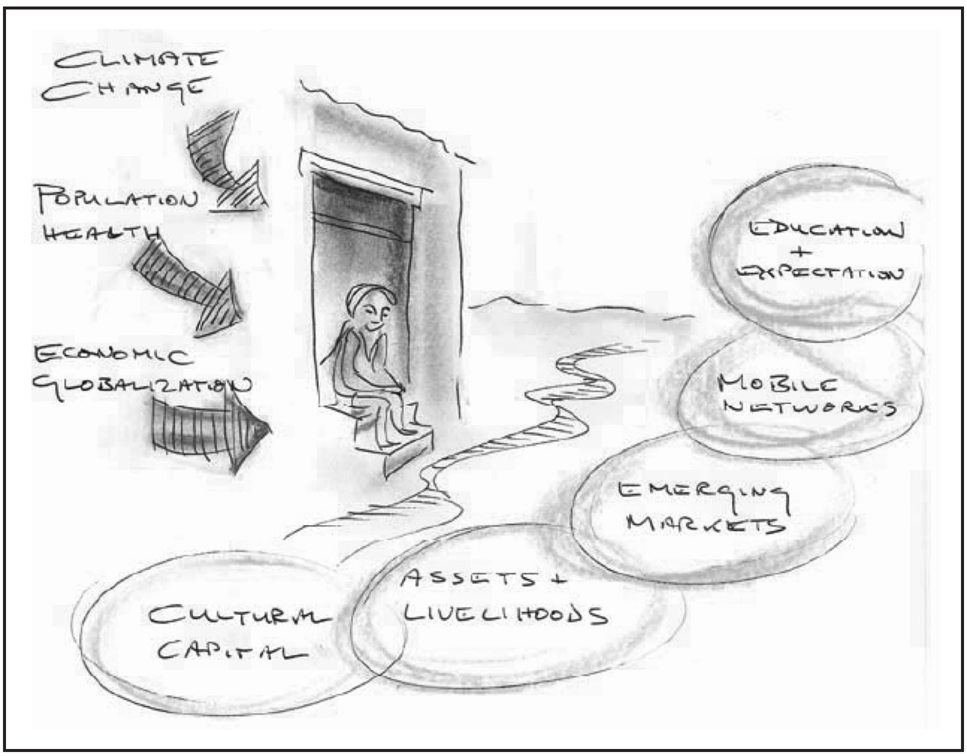
The challenge of sustainable development is the reconciliation of society's development goals with the planet's environmental limits over the long term. Solutions to the major sustainability problems of the 21st century, including poverty alleviation, productivity of land, labour and capital, reducing costs of production and improving the quality of outputs, biodiversity maintenance and use, and climate change – all critically require knowledge from scientific research and appropriate technologies. For example, its is estimated that without the network of research centres affiliated with the Consultative Group on International Agricultural Research (CGIAR) world food production would have been 4-5 per cent lower, developing countries would have produced 7-8 per cent less, and food and feed grain prices would have been 18-21 per cent higher (CGIAR, 2008). Lopez (1997) emphasizes that the degradation of natural capital is likely to be devastating for the poor who generally have little human capital and continue to depend on natural resources for their income. Biotechnology has potential to slow the depletion of resources by introducing varieties that make efficient use of a scarce resource, for example rice varieties that require less water. The World Bank (2000) makes special mention of Dr. Walter Plowright, who developed a vaccine that eliminated rinderpest, a deadly animal disease. The recent resurgence of the potentially catastrophic stem rust fungus of wheat – once thought to have been eradicated (or at least contained) – is a reminder that research attention must never rest. This proves that science and technology innovations are important in facilitating economic and social participation.

3.5 Climate change and adaptations

There is near consensus in the scientific literature that over the coming decades, higher temperatures and changing precipitation levels caused by climate change will depress crop yields in many low income countries where adaptive capacities are perceived to be low (see among others, Shah *et al.*, 2009). A recent mapping exercise on vulnerability and poverty in Africa (Orindi *et al.*, 2006; Stige *et al.*, 2006) put Ethiopia as one of the countries most vulnerable to climate change but with the least capacity to respond. As discussed earlier the challenge of climate change will be worsened by high population growth, poor health and economic globalization. Poor governance is the river between LDC's growth and the challenges they face but there in hope in the opportunities provided by education, emerging capital among others only when good governance is employed. An elaboration chat for this is shown in Figure 2.

A farm level productivity study in Ethiopia found that climate change and climate change adaptations can have significant impact on farm productivity. Farm households with greater access to social capital are more likely to adopt yield-related adaptation strategies (Deressa *et al.*, 2008). Improving the management of tropical lands is another promising strategy for mitigating the impact of climate change. Many agroforestry initiatives, for example, were started to combat the effects of the Great Sahelian Drought of the 1970s (Weber and Stoney, 1986). In the waste management sector, existing technologies for mitigation are available

Figure 2 The challenges of climate change, population growth, poor health and globalization



that can contribute to improved public health as an input into good nutrition. These include waste incineration with energy recovery, composting of organic waste, controlled waste water treatment and recycling to minimize waste (Metz *et al.*, 2007). Energy is another area that requires attention in efforts to mitigate or adapt to the impact of climate change. A promising initiative that combines emphasis on local empowerment with alternative fuel is the work of Norwegian Church Aid in several areas of Kenya to grow and utilize Jatropha curcas, a plant that thrives in arid and semi-arid waste lands, the seeds of which yield a suitable diesel substitute for use in a wide range of stationary engines like those in common use in rural Africa (NCA, 1999).

4. Potential responses: pro poor options

Rather than trying to engineer African societies to fit into foreign political models, new paradigms are needed that are better suited Africa. While promoting democracy domestically, it will be critical for African countries to develop conflict management techniques and practices so that initiatives to end civil strife come from African countries themselves. If peace is to prevail in Africa over the next 20 years, African countries must first ensure that they have properly functioning police and military establishments. Given Western sensibilities, the initiatives in this area must come from African countries themselves. African countries must also develop the ideas and initiatives to address civil conflict across the continent. Although external assistance will still be required, an Africa that can take firm initiatives in peacekeeping and conflict resolution will be in a position to ensure that the continent is relatively peaceful by 2030.

Streamlining customs formalities and reducing registration costs will also reduce the cost of doing business and facilitate investment. Simplified labour legislation will encourage investment in highly labour-intensive sectors such as food processing, manufacturing activities and services. Such initiatives should be pursued and followed by all African countries as they all have the capacity and the room to considerably improve their business climate.

By a large margin, public resources are insufficient to meet the enormous investment needs of the African continent. The development work of African governments and their development partners should therefore be focused on increasing private investment in regional and rural infrastructure. The World Bank, together with the African Development Bank, the Africa Infrastructure Consortium and the European Investment Bank, are working with other partners to raise Africa's energy access from the current 25-35 per cent by 2015 to 47 per cent by 2030. The Maputo objectives state that agriculture budgets should be raised to 10 per cent of public expenditure so as to increase the profitability of the sector (APF, 2007).

Diversifying investment options for domestic and foreign investors calls for support for the development of capital markets – particularly at the regional level -– which will also contribute to macroeconomic stabilization and help to increase the accessibility of financing for the local economy. Alongside this, the financing of SMEs, women entrepreneurs, the poor and artisans requires more flexible access to commercial bank credit and a wider range of products and specific micro-financing initiatives. A number of African firms and banks are already accessing not only regional markets, but also international capital markets in order to refinance themselves. For example, one Nigerian bank successfully took out Eurobonds worth US$521 million in a single day, which was US$221 million more than it had hoped to raise when it launched the operation (APF, 2007).

African countries must also empower women if they are to solve the demographic and health challenges they face. Rectifying gender inequality is essential for the acceleration of poverty reduction in Africa. Education offers an important example of lost opportunity. Gender empowerment can also spur greater competitiveness and productivity. Educated women delay marriage and tend to have lower fertility than those who are not. Women provide 70 to 80 per cent of household food production in sub-Saharan Africa (Brown and Kaiser, 2007). While farm plots run by women have been found to have 20– 40 per cent lower yields than those run by men when women receive the same levels of education experience and farm inputs as men they can increase the yields of some crops by 22 per cent (IFPRI, 2000). The education of women has powerful effects on nearly every dimension of development, from lowering fertility rates, to raising productivity and to improving environmental management (World Bank, 1996).

The path to long-term and sustainable reduction in poverty lies with a vibrant private sector. In recognition of the key role the informal sector plays in sustaining economic growth, African governments should pay more than lip service to the establishment of an enabling environment for private sector activity, including targeted support to women managing small and micro enterprises that will enable them to expand and diversify output and graduate to the formal sector. One concrete action taken to demonstrate the will of African policy organs to develop the private sector is the decision by the Heads of State and Government of the African Union at the 2005 Abuja Summit to institutionalize the African Private Sector Forum (AU and UN, 2008. To achieve pro-poor growth in Africa the most important aspect of the private sector that receives greater attention should be the peasantry.

Resilient pro-poor growth requires movement away from dependence on only a limited number of products, especially if those are unrefined raw materials. Specialization in one product can be a source of volatility and great instability to any economy. Diversification contributes to increasing the productivity of factors, stabilizing export revenues and strengthening investment. A study by Karingi *et al.* (2006) shows that the high growth achieved by countries like Mauritius, Morocco, Tunisia and South Africa is due to deepening diversification, leading to improvements in total factor productivity among other determinants

5. Alternative dimensions: achievable and equitable future

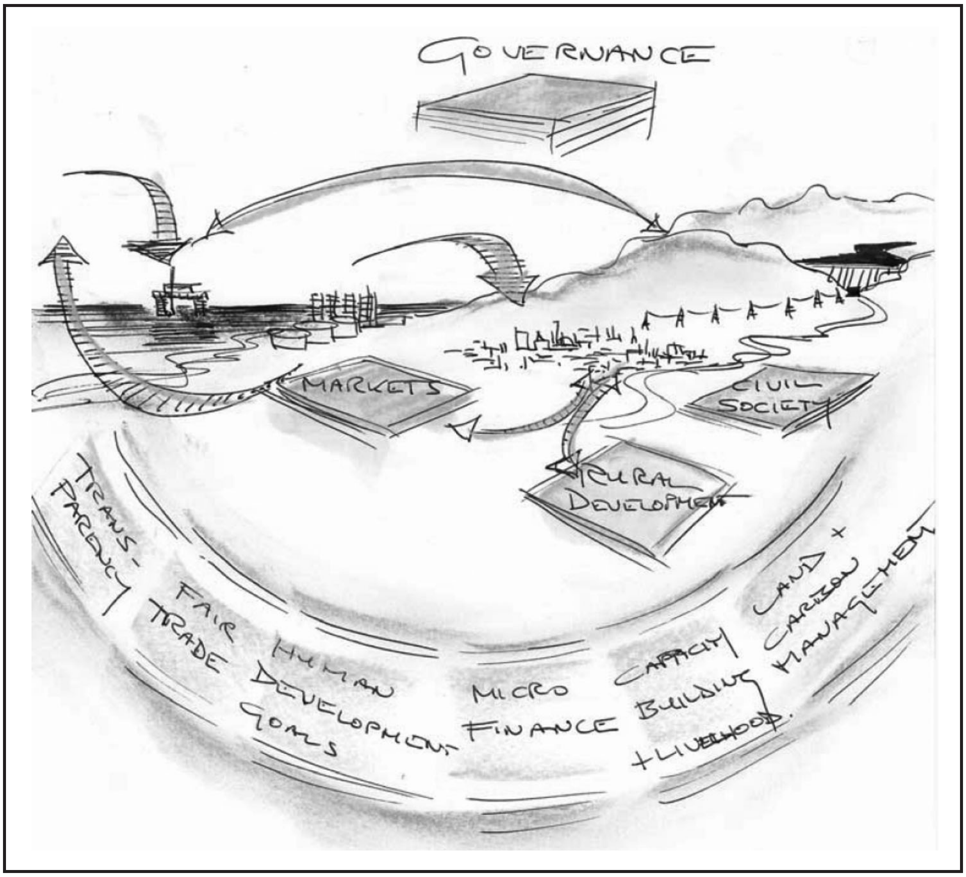
Success in meeting the objectives of development and poverty eradication depends on good governance within each country. The lack of accountability ''undermines public faith in national institutions and leadership resulting to economic stagnation, political instability and social decay'' (Githongo, 2000). The expenditure tracking survey undertaken in Uganda in the mid 1990s provides a good example of a success story in improving public finance management through mechanisms designed to enhance accountability. It revealed that only around 15 per cent of the annual grant for capital expenditure was reaching primary schools between 1991 and 1995. Upon receipt of these results, the Government of Uganda launched a major campaign to publicize financial flows, including posting local allocation amounts on community bulletin boards. One result of this campaign was a 500-fold increase in the amount of the funds that reached primary schools: from the earlier low of 15 per cent to nearly 80 per cent of the grants that actually made it to their destination.

Decentralization has the potential to enhance accountability by bringing government closer to the population it serves. While it has been famously observed that people in the village are just as dishonest as people in the city, a smaller community does often provide greater constraints on and sanctions against corruption. People may be in a better position to monitor the activities of politicians and local officials as well as the quality – even the existence – of publicly-provided goods and services. Alaska's ''bridge to nowhere'' is a recent well-publicized example. Slum improvement programmes in Bangladesh have benefited from public participation, with women especially benefiting. For both Africa and development partners (UN, 2006), good governance should entail actions at local, national and international levels with real commitment, on the one hand, and reliable support for implementing that commitment, on the other. Figure 3 illustrates comprehensively the link between governance and forces of economic growth giving strategies on the way forward.

5.1 Work towards sustainable pro-poor growth

Substantial progress towards pro-poor growth requires, among other things, significant and steady increases in GDP growth rates. First, it is virtually impossible to achieve significant reductions in poverty over the long term without economic growth. Second, if growth is to improve living standards widely and reduce poverty, it requires the active participation of poor households as labourers, producers and service providers. During the period

Figure 3 The link between governance, drivers of development and strategies for achieving pro-poor growth



2000-2004, Mozambique's real per capita GDP growth averaged over 7 per cent, compared with less than 3 per cent for LDCs as a whole. During the 1990s, GDP grew by 4.8 per cent per annum (some 3 per cent per capita), a moderate rate by comparison with India, and well below rates achieved in Southeast Asia. Exports grew by 17 per cent annually, rising from 5 per cent of GDP in 1973 to 14 per cent in 2000 (SDNP, 2003).

5.2 Develop productive capacity

The capacity of LDCs to accelerate growth and sustainable development is impeded by various structural and supply-side constraints. The development and utilization of productive capacities matter for poverty reduction, because there is a virtuous circle between such capacities and economic growth. The Digital Data Divide (DDD) in Cambodia is an example worth emulating in Africa. It began in Phnom Penh in 2001. As a result, DDD connects young people facing particularly difficult circumstances in one of the world's LDCs, with the global economy. It provides jobs and educational opportunities by delivering outsourced data services to business and public sector customers. DDD hires only individuals under the age of 25 years who are orphans, physically disabled or trafficked women. DDD has also provided health benefits, education scholarships and vocational counselling (UN, 2006). Inclusive development (or pro-poor growth) can be achieved if this is done in such a way that the labour force becomes more productively and fully employed, the prices of wage goods fall and fiscal space is expanded. Poverty reduction will itself reinforce the cumulative process.

5.3 Achieve better results in local capacity and human resource development

Action to meet human development objectives, especially those embodied in the Millennium Development Goals (MDGs) should be accelerated. Although significant progress towards many of the MDG targets has been made by many countries, that progress has been uneven and is threatening the current food and economic crises. Reaching the goals will require renewed commitment of more resources, including increased donor support, to key programmes in education and health – for example, expanding the Fast-Track Initiative in education, extending reproductive health services, combating malaria, accelerating the availability of anti-retroviral treatment for HIV and AIDS, and strengthening health systems generally. In the Maldives, the National TB Control Programme (NTCP) has achieved notable successes in the area of TB control. Since 2000, the Maldives has maintained a TB case detection rate of over 100 per cent and treatment success rates of over 90 per cent (UN, 2006).

Improved governance, stronger accountability mechanisms and sound expenditure management are also essential to raising the quality of education and health services and improving the access of poor underserved populations. Besides the relatively high proportion of GDP allocated to education, East Asian governments made sure that there was a uniform spread of education in the society at all levels of education. For example, Asian countries focused on curriculum reform to adequately prepare young people for the job market within the existing economic climate, while providing the human resources necessary to ensure sustainable national development (Boyd and Lee, 1995; Lyakurwa, 2007).

Other human development policies and programmes must factor in health outcomes, nutrition and environmental factors – water and sanitation and pollution. A strong focus is needed on combating malnutrition, especially among children, to underpin better human development outcomes. Successful school feeding programmes in sub-Saharan African are a case in point in maintaining social progress in the face of economic or environmental crises. A recent review of one such programme in Burkina Faso found positive impacts on attendance, nutrition and academic achievement (UN, 2006). Governments should also adopt measures aimed at reducing the proportion of people who are unable to reach or afford safe drinking water. Access to safe water has increased significantly in the Maldives, in large part as a result of a revolving fund that enables Maldivian households to purchase high-density polyethylene tanks for rainwater catchment. Information, education and communications activities mounted by the Maldives Water and Sanitation Authority ensured that the success of the revolving fund was accompanied by safe rainwater collection practices and hygiene-related behaviour (UN, 2006).

5.4 Build a dynamic agricultural sector

Agricultural sustainability in Africa sometimes appears to be a pipedream. With some notable exceptions, African agriculture – particularly food production for local consumption – is characterized by low yields, primitive technology and stagnating trends in productivity. A dynamic agricultural sector is key to achieving strong and inclusive growth and will help to mitigate the upward pressures on food prices. An African Green Revolution could provide a strong foundation for growth and poverty reduction in the region, much as the introduction of new technologies doubled cereal production and raised farmer's incomes in Asia between 1970 and 1995. Latin America also experienced significant gains (IFPRI, 2002). In Africa, Niger is the scene of an unprecedented, farmer-led ''re-greening'' movement that has reversed desertification and brought increased crop production, income, food security and self-reliance to impoverished rural producers (WRI, 2008). This is an area in which the empowerment of women can have a particularly important impact because of the major role of women in food production. Issues that must be addressed in this regard include land tenure and access, education, targeted extension services, better tools, and access to credit.

5.5 Integrate development, climate change and environmental sustainability

Environmental sustainability must be integrated into core development work, building on indigenous knowledge and maximizing synergies. Because forests are effectively the ''lungs'' of the planet, protecting them against desertification is a vital factor in the struggle to strengthen the living environment globally. Sustainable forestry and farming practices can also help mitigate the impact of natural disasters. Forests, and all plants, soak up carbon released in the atmosphere by human activities. Beyond the forests, protection of ecosystems is essential for conserving biodiversity, delivering vital ecosystem services such as soil regeneration, nutrient cycling, pollination, pure water, and maintaining harvestable resources. In addition to the basic systems, throughout Africa – and indeed the world – thriving, well-functioning ecosystems provide protection and space for indigenous and local peoples to continue their traditional lifestyles (culturally, spiritually, and recreationally), which are often impossible elsewhere. They are also sources of income, through increased tourism or employment opportunities offered in the protected space.

5.6 Harness trade for strong, inclusive and sustainable growth

Trade can be a powerful tool for promoting sustainable economic growth and poverty reduction if it contributes to a process of development through which a country's resources are effectively used to create wealth and raise living standards. Trade in tourism services significantly contributed to Botswana's rise to middle income status, as it has been a major factor for income growth, economic diversification and social status improvements. Bangladesh provides an example of ''virtuous trade'' whereby export expansion accompanied by growth in private consumption has translated into increases in living standards for over a decade (1990-2000) (Encontre, 2001).

5.7 Make aid more effective

As noted above, there is increasing evidence that aid can effectively deliver pro-poor growth when properly targeted and administered (Lancaster and Wangwe, 2000; AERC, 2001). However, while donor countries should pursue practices that increase the impact of their overseas development assistance (ODA) such as untying aid, increasing transparency, and sourcing goods and services in recipient countries, the LDCs should make concerted efforts to integrate ODA into their national planning frameworks and budgets as well as monitor its effective use.

6. Conclusion

In conclusion, it must be acknowledged that economic governance benefits – peace, innovation, prosperity, efficiency, choice and individual opportunity – issues we should all value and demand. But managing a prosperous economy involves pragmatic judgements about what more can be done to enable markets to deliver, and where exactly the roles and responsibilities of governments lie. Africa will not achieve sustainable economic growth without effective governance. The global evidence is clear that we can empower our people, address inequality, and achieve fairness and opportunity in our societies without compromising our openness and our long-term economic competitiveness. The challenge facing all African countries is to create a system of economic governance that promotes a process of decision making that directly or indirectly affects a country's economic activities or its relationship with other economies especially in a globalizing world. African countries will have to strive to reduce, if not eliminate altogether, the subversive impact of corruption in its economic activities, establish strong institutional frameworks and strengthen the administrative and technical capacities of its public administrators to achieve sustainable socioeconomic development. Governments need to look beyond the next election and promote integration into the global economy to stimulate trade and investment and spur private sector activity.

Additional empirical research is necessary in order to develop and support some of the recommended alternative dimensions. We must demonstrate afresh that Africa can and will prosper if we recognize our strengths, plan our future, and provide for the upturn that will follow the current downturn in our economic and global fortunes.

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William Lyakurwa is the Executive Director of the African Economic Research Consortium. He joined AERC from the International Trade Centre based in Geneva, Switzerland in 1993, where he held the post of Senior Trade Promotion Advisor. From 1994 to 2003, he held the positions of Director of Training and Deputy Executive Director until his appointment to the position of Executive Director in March of 2003. As Director of Training, William Lyakurwa is credited with the successful initiation of the ongoing Collaborative Masters Programme (CMAP) and the Collaborative PhD Programme (CPP) in response to a retroactive decline in external support and opportunities for graduate training in Economics in Africa. He also has a wealth of experience in research; graduate training and ''hands-on'' human resource management. With the commencement of his tenure as Executive Director, Professor Lyakurwa has steered AERC to claim SSA leadership in economics research and graduate training, with its model adopted and referred to by initiatives worldwide. William Lyakurwa has published extensively in local and international journals as well as contributed chapters in books, research and discussion papers, most recently to a book titled: *Capacity Building in Economics Education and Research*; edited by Francois Bourguignon, Yehuda Elkana and Boris Pleskovic. William Lyakurwa received his PhD from Cornell University, USA in 1978 as the culmination of notable academic performance in Economics at undergraduate and postgraduate level, from the University of Dar es Salaam, Tanzania to Cornell University, USA. He has consequently been enlisted as an advisor and consultant to governments; regional bodies; multilateral institutions; international and non-governmental organizations. William Lyakurwa has served as Chair and member of several policy-making boards in Tanzania and internationally. He was the Chair of the PTA/IDRC Project Management Committee (1993 to 1997); of the NORDIC/SADCC Trade Advisory Group (1989 to 1994); and is currently the Chair of the Board of Directors of the Tanzania Investment Bank.