Poverty and Development

INSTITUTE FOR
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Africa Institute of
South Africa

A proposed policy framework for the Southern African Development Community, developed as part of the Helsinki Process on Globalisation and Democracy

Edited by Michelle Pressend

This project was funded by the Southern Africa Trust

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The Sandton central business district, new financial hub of the Johannesburg metropolitan area. Shaun Harris/ PictureNET Africa

A woman struggles to lift a bag of maize meal on to her head at a World Food Programme distribution centre in Gwanda district, Zimbabwe. Joao Silva / PictureNET Africa

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Acronyms and abbreviations

AISA	Africa Institute for South Africa
APRM	African Peer Review Mechanism
CBOs	community-based organisations
CHFs	Community Health Funds
CSD	Commission on Sustainable Development
CSOs	Civil society organisations
DFA	Department of Foreign Affairs
DRC	Democratic Republic of Congo
EU	European Union
FDI	foreign direct investment
GATT	General Agreement on Tariffs and Trade
HDI	Human Development Index
HIPCs	Highly Indebted Poor Countries
HP	Helsinki Process
HPI	Human Poverty Index
IFIs	International Financial Institutions
IGD	Institute for Global Dialogue
IMF	International Monetary Fund
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
NGOs	Non-Governmental Organisations
OC	other charges
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
PE	personal emoluments
PPAs	Participatory Poverty Assessments
PRSPs	Poverty Reduction Strategy Papers
PWC	post-Washington consensus

REPOA	Research on Poverty Alleviation
SADC	Southern African Development Community
SAPs	Structural Adjustment Programmes
SDT	special and differential treatment
SEATINI	Southern and Eastern African Trade Information and Negotiations Institute
SMMEs	small, medium and micro enterprises
SWAPs	Sector Wide Approaches
UFE	user fees exemption
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
WTO	World Trade Organisation

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- Ebrahim Fakir, a senior researcher at the Centre for Policy Studies, South Africa;
- Firoz Khan and Saliem Fakir, senior lecturers in the School of Public Management and Planning of the University of Stellenbosch, South Africa;
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- Rasigan Maharajh, chief director of the Institute for Economic Research on Innovation, Tshwane University of Technology, South Africa.

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We hope this document will make a positive contribution to this important and commendable initiative.

About this project

In 2006, the South African Department of Foreign Affairs invited the Institute for Global Dialogue (IGD) and the Africa Institute for South Africa (AISA) to participate in the Helsinki Process on Globalisation and Democracy.

Created in 2002 by the Finnish government in co-operation with the Tanzanian government, the Helsinki Process on Globalisation and Democracy is aimed at evolving new solutions to global problems, forging new coalitions for action, and helping governments to marshal the political will to bring about change.

It does so by promoting dialogue among a wide range of stakeholders – including governments, international organisations, civil society organisations, faith groups, business groupings, trade unions, public policy research institutions, academia, and the media – and enhancing their collaboration in global institutions. It has focused on five themes or policy 'baskets': poverty and development; human rights; environment; peace and security; and governance.

Our contribution took the form of exploring the nexus between poverty and development in the Southern African Development Community (SADC). More specifically, we decided to evolve a proposed new policy framework for achieving sustainable development in the region, and achieving the first Millennium Development Goal of halving the number of people living in poverty by 2015.

In doing so, we have sought to add an empowered African voice to the debates on poverty in SADC and Africa, which are usually defined by external institutions; deconstructing terms and practices that most developing countries have had no choice in accepting; providing an Afro-centric analysis of issues related to poverty and development; and providing Africa-generated policy options for addressing poverty on the continent, and specifically in SADC.

In pursuit of these objectives, we organised two workshops attended by representatives of civil society organisations, governments and policy-think-tanks as well as other academics from the region, at which commissioned research was presented and discussed under the broad rubric of 'Governance for Poverty Eradication and Development'.

The first workshop was held in Pretoria on 26–27 October 2006. Entitled 'Assessing Governance Measures to Achieve Millennium Development Goal One', it dealt with definitions and understandings of poverty in SADC; the allocation and tracking of public expenditure in the region; pro-poor service delivery; and the role of local government in eradicating poverty. Four papers were delivered, which form the basis for the discussion in Part One of this document.

A report emanating from this workshop was presented to the HP Growth and Employment Round Table in Dar es Salaam in November 2006. Following the workshop and Round Table, we commissioned four further studies aimed at taking the discussion a step further and providing the basis for policy recommendations.

These were presented to a second workshop held in Pretoria in April 2007, entitled 'Developing Policy Recommendations for Poverty Eradication in the Southern African Development Community'. The papers and keynote address form the basis for the discussion in Part Two of this document.

The IGD and AISA have collaborated with the HP secretariat in Tanzania, its Tanzanian partner organisation, REPOA, and the South African DFA in planning and executing this project. The IGD's contribution to this project was funded by the Southern Africa Trust.

Edited versions of all the papers and the subsequent discussions will be published in a book which will appear early in 2008.

About this document

Against this background, the purpose of this document is to provide a new framework for addressing poverty in Southern Africa. More specifically, it is aimed at stimulating new thinking around policy design, and to create a framework for reforming existing policies and strategies for eradicating poverty. It is also aimed at encouraging greater coherence, co-operation, and co-ordination among SADC member states.

At the UN Millennium Summit in September 2000, governments ambitiously committed themselves to achieving, by 2015, a set of goals called the Millennium Development Goals (MDGs), aimed at dramatically reducing world poverty and markedly improving the health and wellbeing of the poor, especially women and children. However, the first five-year review in September 2005 stated that progress towards achieving these goals had been very slow, particularly in Africa. The Copenhagen Declaration, Johannesburg Plan of Implementation, and a host of UN declarations also contain commitments to reduce global inequality and improve the social well-being of the majority of global citizens.

On 7 July 2007, at the midpoint of the MDG programme, the UN stated:

> 'At the midway point between their adoption in 2000 and the 2015 target date for achieving the Millennium Development Goals, sub-Saharan Africa is not on track to achieve any of the Goals. Although there have been major gains in several areas and the Goals remain achievable in most African nations, even the best governed countries on the continent have not been able to make sufficient progress in reducing extreme poverty in its many forms.'[1]

In order to meet Goal One, namely halving the proportion of people living on less that one dollar a day, and halving the number of people suffering from hunger, states need to increase their capacity to address the socioeconomic needs of the poor, and need to assess whether present policies and programmes are appropriate and adequate to improve the wellbeing and livelihoods of the poor.

The MDGs are regarded as key benchmarks for achieving an equitable, just and sustainable world, and galvanising international action to that end. If they are to be achieved, governments need to do far more than current measures and programmes targeting the poor. They would need to ensure equitable imperatives for the world's poor, which implies secure access to adequate productive resources, public services, employment, credit and markets with the aim of achieving acceptable livelihoods, in collaboration with social partners. In addition, the target on hunger cannot be addressed without alleviating household food insecurity and assuring food security for the country's population.

Part One of this document examines current conceptualisations and measures of poverty in SADC and elsewhere. It illustrates the shortcomings of current poverty measures, particularly money-metric measures. It also assesses the global poverty agenda, and considers whether these approaches are adequate and appropriate. In addition, government policies and approaches to address poverty are interrogated. These include Poverty Reduction Strategy Papers (PRSPs), national government budgeting, pro-poor service delivery in health and education, and the role of local governments in poverty eradication.

Part Two seeks to identify the principles that could underpin new and more effective policies for achieving people-centred development and reducing poverty, in SADC as well as elsewhere.

Part Three sets out the policy recommendations emanating from the papers and discussions. They call for a rebuilding of the national project in the region, with the state playing a central role in a developmental agenda capable of actively addressing poverty in the region.

The document also aims to contribute to improved co-ordination and co-operation among Southern African countries, enhance economic diplomacy, develop broad policy consensus on social and economic development, and strengthen negotiations on trade and development to the benefit of the region and its people.

Endnotes

1 UN Update, http://www.un.org/millenniumgoals/docs/MDGafrica07.pdf.

Research reports produced for this study

Papers produced for first workshop entitled 'Assessing Governance Measures to Achieve Millennium Development Goal One', Pretoria, 26–27 October 2006.

Ebrahim Fakir. 2006. Local Government Decision-Making in SADC.

Lucas Katera and Joseph Semboja. 2006. Allocation and Tracking of Public Expenditure.

Julian May. 2006. A theoretical survey of poverty in the SADC region.

Paula Tibandebaje. 2006. Pro-Poor Service Delivery.

Papers produced for second workshop entitled 'Developing Policy Recommendations for Poverty Eradication in the Southern African Development Community', Pretoria, 29–30 March 2007

Fantu Cheru. 2007. Africa's Development Crisis: Debt, Conditionality, and the Rhetoric of 'National Ownership'. Are PRSPs another form of structural adjustment?

Saliem Fakir. 2007. The Developmental State and Poverty: Issues for Southern Africa

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Rasigan Maharajh. 2007. Global Economic Policy Reform.

Part one

Key issues in poverty praxis

Part one examines current conceptualisations and measures of poverty in SADC and elsewhere. It illustrates the shortcomings of current poverty measures, particularly money-metric measures. It also assesses the global poverty agenda, and considers whether current approaches are adequate and appropriate for eradicating poverty. In addition, various policies and strategies for addressing poverty are interrogated. These include Poverty Reduction Strategy Papers (PRSPs), the role of national budgets, attempts at the pro-poor delivery of health and education services, and the role of local government – and political decentralisation – in addressing poverty.

Conceptualisations and measures of poverty: advances and stasis in poverty praxis

Policy-makers, economists, and multilateral institutions such as the UN, IMF and World Bank have developed various frameworks for addressing poverty – yet structural poverty persists. There are many different definitions of poverty, which are vigorously debated, as are policies for its alleviation or eradication. In his study for this project, Professor Julian May states:

> The broad consensus appears to view poverty as a multi-dimensional web of deprivation resulting in living conditions that lie below some minimum standard. Poverty is also recognised to be transitory or chronic, persisting over time and across generations. Families who are poor are recognised to be vulnerable to change and sudden shocks, to be experiencing ill health, to live in crowded conditions, to find it difficult to feed, educate and care for their children, and to be deeply worried about their future.
>
> Although many may be unemployed, or underemployed, poor workers are known to be engaging in work that is arduous, insecure, and frequently unsafe. Poor children are malnourished, fall behind at school, often improperly parented and at risk of sexual predation, early pregnancy and HIV infection. Often thought of as absolute, many approaches to poverty also include a relative dimension in terms of what is regarded as a socially acceptable minimum living standard that varies from country to country as well as over time.
>
> Poverty is also recognised as resulting from possessing inadequate resources as well as the inability to translate the resources that are available into the commodities,

> services and rights required to meet this minimum living standard. Finally, poverty may be produced by the actions of 'poverty perpetrators.'

The literature on development economics shows that attempts to measure poverty fall into two categories: monetary and non-monetary. Monetary measures are concerned with determining the minimum required for human survival. This measure is usually quantitative, in units suited to international comparison, such as an annual average income of US$1 or US$2 a day, corrected for Purchasing Power Parity.

Poverty is also conceptualised as the lack of resources needed to attain a socially acceptable quality of life. This approach emphasises a relative indicator that varies in line with the standards of the society being measured, and may also take distributional issues into account. Relative poverty is related to the distribution of income or wealth, and the poverty of an individual is thus also relative to the well-being enjoyed by others. The MDGs define the extremely poor as those people living on less than one dollar a day.

May points out that analyses which require quantification or a numeric measurement tend to prefer a money-metric or an absolute approach. Money is seen as the means of purchasing some of the most direct means of well-being, such as food, clothing and shelter, and a threshold amount can be estimated that serves as a poverty line separating the poor from the non-poor.

By contrast, Participatory Poverty Assessments (PPAs) centre on poor people's perceptions of what constitutes an acceptable standard of living, and build these into definitions of a threshold income. This approach starts with the premise that understanding the lived experience of poverty is an essential element of formulating policy that deals with its dynamics and persistence. Such methods of appraisal involving the use of participatory techniques are argued to lead to the timely delivery of information about the complex realities of the poor, and more effective local solutions for reducing poverty.

Analyses of other dimensions of poverty, including issues of causation and consequence, are less concerned with money-metric measurement and may use qualitative or participatory methods in combination with more quantitative approaches. These non-monetary measures include vulnerability and insecurity, human rights, social exclusion, and entitlement failure, which are harder to measure. Amartya Sen's work stresses the relationship of people to their resources, and the commodities they require to meet their basic requirements. Here poverty is conceptualised as constrained choices, unfulfilled capabilities, and exclusion.

The asset poverty and livelihoods approach comprises another non-monetary measure. In this approach, a livelihood comprises the capabilities, assets (stores, resources, claims, and access) and activities required for living. The asset–vulnerability framework takes into account assets and capabilities, and recognises the role played by wealth inequalities. According to May, this framework recognises three important activities by the poor, based upon their own knowledge and understanding of their environment: that the poor actively manage a complex asset base; that they engage in diversified livelihood activities while endeavouring to make ends meet; and that they engage in iterative processes of response and adaptation to external and internal events that change their day-to-day environment. In terms of this asset–vulnerability framework, the more assets people command in the right mix, the better returns they are able to achieve, and the greater their capacity to buffer themselves against external shocks. Thus the livelihood approach is a sustainable and long-term model for assessing how individuals cope with and recover from stress and shocks, maintain or enhance their capabilities and assets, and create and exploit sustainable livelihood opportunities.

The UNDP's Human Development Report of 1996 introduced a capability poverty measure which measured the proportion of children under five who are under weight, unattended births, and female illiteracy. The UN Human Development Index (HDI) also uses non-monetary measures to determine levels of poverty, among others, prevalence of literacy, life expectancy, and standard of living. In developing the HDI, the UNDP sought to 'enable people to live long, informed, and comfortable lives'. The presence of these socially enabling factors arguably produce an environment in which people are able to reach their full potential and create opportunities for themselves.

Table 1 presents several indicators of poverty and human development for Southern African countries.

Table 1: Human development and poverty rankings of SADC member states

Country	Human development index	HDI ranking (out of 177)	Gini coefficient (%)	Human poverty index (HPI-1)
Angola	0.44	161	–	40.9
Botswana	0.57	131	63.0	48.3
DRC	0.39	167	–	40.9
Lesotho	0.49	149	63.2	47.5
Madagascar	0.51	143	47.5	36.3
Malawi	0.40	166	50.3	43.0
Mauritius	0.80	63	–	11.3
Mozambique	0.39	168	39.6	48.9
Namibia	0.63	125	74.3	32.5
South Africa	0.65	121	57.8	30.9
Swaziland	0.50	146	60.9	52.5
Tanzania	0.43	162	34.6	36.3
Zambia	0.41	165	42.1	45.6
Zimbabwe	0.49	151	50.1	46.0
Average	**0.51**	**144**	**53.0**	**40.1**

Source: Wakeford, J. 2006. *Energy Resource Dependence and Use in Southern Africa: Opportunities and Challenges*. Paper prepared for the IGD Research Project on Natural Resources Dependence

It shows significant variations across SADC member states. Some countries in Southern Africa have among the lowest HDI rankings in the world, and South Africa and Namibia rank significantly lower than their middle-income status would suggest. The UN's Human Poverty Index for developing countries (HPI-1), which measures various deprivations, displays a similar pattern to the HDI. Income inequality, as indicated by the Gini coefficient, is comparatively low in some cases (notably Tanzania and Mozambique, where most citizens are equally poor), and extremely high in others (Namibia, Botswana, Lesotho, Swaziland and South Africa, which are all middle-income countries).

Overall, the table points to highly skewed income distribution in the region, and also that this constitutes a significant barrier to human development.

May notes that SADC governments prefer money-metric measurements of poverty, especially in terms of household consumption of a minimum basket of goods needed for human survival. However, money-metric measures do not adequately address the complexities of poverty. For example:

- A household may have a large monetary income but no or poor access to education, potable water, or health care. Household income only adequately reflects material well-being if the household has access to a market at which it can purchase the goods it needs at the given prices, and although consumption can take account of home-produced items and gifts, this is still confined to food need only.
- Many aspects of well-being are not acquired through market transactions, especially in developing countries, and as such money-metric measures will not reflect deprivation in these areas. These include safety, environmental conditions, and resources obtained from common property.
- Some goods, such as safe and available water, sanitation and safety are indivisible and have public good components that make it impossible for a single household to marginally purchase more of such goods.
- Money-metric measures do not take into account the intra-household distribution of income. For example, women in a given household may not have an equal share of the household resources.

Besides these complexities, Firoz Khan believes the devastating social consequences of HIV/AIDS pose further challenges to income poverty measures. In his paper for this project, he notes that factors such as food insecurity, poor water and sanitation, poor health conditions (TB), and violence increase susceptibility to HIV as well as vulnerability to HIV/AIDS. These factors make it difficult to keep track of the cause of death of AIDS victims; perversely, official figures will show a decline in the number of poor people dying of AIDS.

Finally, income poverty does not capture the depth of poverty; therefore, a more inclusive and broader conception of poverty should be adopted. A broader understanding of the nature of poverty contributes to a multidimensional approach to poverty by the state and society, and opens up a wider range of 'policy instruments'.

Another important concept is 'poverty production' and the policies and strategies adopted by the SADC. Poverty production is defined as the process in which individuals increase individual or aggregate poverty – either directly, or through participation in institutional practice or other patterns of behaviour. These policies lead to systematic underdevelopment, as evidenced in the colonial and apartheid periods in Southern Africa. Present global economic policies promoting trade liberalisation and structural adjustment in many developing countries have led to underdevelopment, and could also be said to be poverty-producing in that they result in jobless growth, poor access to basic services, and environmental degradation.

Development policy in the late 1970s and its consolidation in the 1980s via the 'Washington Consensus' drastically curtailed pro-poor policy space, and closed opportunities for configuring progressive interfaces between poverty alleviation, inclusive economic growth, and redistribution. Flanked by the view that the poor would in time benefit from the economic policies of the Washington Consensus reform regime, the historical record shows that both time and the free market were weak allies in the fight against poverty, generating neither sufficient economic growth nor improvements in income distribution and poverty measures.

To conclude, the definition and measurement of poverty play a major role in defining policy outcomes. If measurements of poverty are confined to money-metrics, policy outcomes are limited to correcting the income status of the individual, for example, job creation. Khan argues while policies constantly point to the poverty gap, poverty's ever-changing dynamic and prioritising the needs of the most vulnerable but then shy away from advocating entitlement-rights based approach to development, centred on the structuring, financing and skilful targeting of a social wage.

Therefore, defining poverty as a lack of assets or capabilities changes the entire range of policy options, because policy-makers then need to consider how to improve the access of the poor to assets that will protect them against market or social shocks. The HDI or Capability Poverty Measure would provide a range of new policy options, including improving the literacy of the poorest of the poor (women and girl children), improving access to universal health care, and helping the poor to start up informal business. Increasing socioeconomic opportunities for the poor requires that the poor have the power to influence the policy process, that macroeconomic policy support is provided for social and economic development, and that government institutions have the capacity to operationalise those policies.

The global poverty agenda: on the right track?

The main objective of the Helsinki Process is to contribute to the achievement of the MDGs via a multi-stakeholder approach. In this regard, global, regional and national policy-makers need to ask themselves: is the current global poverty agenda and framework adequate?

In this respect, Khan notes that the 'new' international agenda for addressing poverty consists of five main elements: the MDGs; a multidimensional model of poverty set out in the World Bank's World Development Report 2000/2001: Attacking Poverty (2001); Poverty Reduction Strategy Papers (PRSPs), prepared by IMF member countries, and used as a basis for lending by the IMF and World Bank as well as debt relief to Highly Indebted Poor Countries (HIPCs); technologies for delivering aid in support of PRSPs; and a commitment to results-based management.

PRSPs are meant to be country-owned and led; based on participatory processes, leading as far as possible to a national consensus; accepted by donors on the basis of conditionality of process rather than substance; and to evolve over time, furnishing 'road maps' rather than blueprints for poverty reduction. However, country experiences with PRSPs thus far reveal that there are few differences between the conditionalities associated with the notorious Structural Adjustment Programmes (SAPs) and those associated with PRSPs. Another concern is that these processes are largely government-dominated, and are therefore unlikely to redistribute resources or equalise access to social power (especially in less democratic countries).

The technologies for delivering aid in support of PRSPs involve budget support rather than project funding, and are intended to improve the management of public expenditure and aid flows. Donors are encouraged to work together in support of Sector Wide Approaches (SWAPs), involving the direction of funding towards a single sector policy and expenditure programme (led by government), the adoption of common approaches across the sector, and adherence to government procedures for disbursing funds and exacting accountability. As part of this approach, the World Bank in particular is expected to replace structural adjustment lending with new Poverty Reduction Support Credits, which will presumably be discounted against debt. On the whole, budget support is increasingly replacing project funding.

Results-based management is an approach to managing organisations and programmes via effectiveness (outputs and outcomes) rather than inputs and activities, e.g. reducing poverty rather than spending money on poverty reduction programmes. The utility of results-based management goes beyond target-setting; it can also be deployed to structure rewards/disincentives for individuals, teams, organisations, local government departments, and the like.

Khan asserts that these approaches have many weaknesses. Firstly, targets help to clarify objectives and rally support, and can serve as instruments for reforming public services and improving public service delivery. But they are also very risky. They routinely encourage a reductionist approach to complex problems, such as public service managers specifying outputs and outcomes in their performance contracts that are easily identifiable and measurable, but may not be priorities for the communities they are meant to serve. Quantitative indicators (for example, numbers of houses built) are frequently privileged at the expense of qualitative ones (for example, the location of dwellings). Targets potentially distort resource allocation by redirecting expenditure away from sorely needed services administered by poorly performing departments to good performers where the service needs might be less urgent. Lastly, targets may undermine professional motivation and responsibility, as public service managers become increasingly risk-averse and only undertake projects with a minimal risk of failure; as a result, there is little innovation and creativity in programme design and implementation.

Secondly, the preoccupation with output could relegate citizenship to a secondary status rather than an intrinsic and vital component of development. Emphasising supply-oriented technical aspects marginalises citizens' voices, priorities and needs. Budget formulation processes within the state (moving power away from the executive to the legislature) and public involvement in decisions about priorities, and products and outputs are necessary.

Thirdly, shying away from the distributional geometry of existing and intended policy makes it almost impossible to prioritise and adjudicate resource allocation and deliverables in a democratic and informed way. When the distributional stakes are poorly specified or unspecified, overall policy integrity is potentially compromised, scarce resources run the risk of misallocation, and the developmental impact of interventions is compromised.

Fourthly, fixating on public expenditure as the main instrument of policy can result in governments neglecting the macroeconomic policy reforms needed for economic and social development. Fiscal, monetary and trade policy choices – which do not always fall in the realm of government control – arguably have a greater impact on the fragile livelihoods, life chances and life opportunities of the poor than of the wealthy. Poverty strategies, on the other hand, do not normally perform well in clarifying these macroeconomic choices.

Fifthly, confining SWAPs to sectors with a proven record of success could overemphasise social sectors at the expense of growth policies. Although SWAPs are powerful instruments for managing aid, delivering co-ordinated donor support, strengthening programmatic approaches (versus project-driven interventions), and aligning processes for optimal target achievement, they fare less well in multisectoral/transversal initiatives, such as rural and urban development, nutrition and food security, HIV/AIDS, and so on.

Lastly, looming large is the risk that a commitment to partnerships and co-operation may degrade into a form of conditionality – which is quite possible, considering the historical experience of developing countries with the Bretton Woods institutions. The involvement of World Bank and IMF staff in drafting PRSPs and their (inherent) bias towards more powerful sectors; the continued growth in and expansion of IMF conditionality; the inordinate influence of donors over national policy; the hegemony of neoliberal economic policy; and so on do little to allay fears of PRSPs degenerating into conditionality.

Clearly a 'one size fits all' approach is not feasible, and complementary approaches with different suites of policy reforms are required.

A closer look at PRSPs: pro-poor, or structural adjustment in another guise?

In his opening presentation at the second workshop for this project, entitled 'Developing Policy Recommendations for Poverty Eradication in the Southern African Development Community', Fantu Cheru outlined the history of underdevelopment in African states as a result of their indebtedness to international lenders, and the conditionalities attached to World Bank and IMF loans. As developing countries ran into difficulties in repaying their debts, creditor governments insisted upon the implementation of 'structural adjustment' programmes as a condition for rescheduling the debts. The basic philosophy underpinning SAPs has been to persuade indebted countries to 'export their way out of their crisis' by integrating more closely with world markets, while devoting less attention to production for domestic needs.

These conditionalities drastically reduced the policy space of African governments – the space to evolve flexible and innovative industrial, trade, technology and social policies suited to their own societies and their own circumstances.

- Conditionality-based lending has had major effects on African countries. Economically, donor-controlled economic reform aimed at boosting exports to developed countries has led to a significant erosion of the living standards of the poor, and dwindling investment in the productive sectors of the economy. Debt servicing has diverted scarce resources needed to expand education, health, and nutrition services to the poor.
- Politically, many indebted countries have ceded their sovereignty and their right to determine their countries' development to creditor institutions and governments. By imposing political and economic directions that violate the sovereign will of states, the IMF has grossly overstepped its mandate.

According to Cheru, the PRSP approach is underpinned by five core principles. One of them is that poverty reduction strategies should be country-driven, promoting national ownership of strategies through the broad-based participation of civil society. This implies that nations should retain the freedom to determine their own economic and social institutions and policies.

Cheru points out that debt cancellation initiatives such as the HIPC initiative have their own qualifying conditionalities. HIPC I was created in 1996, but the qualification criteria were so stringent that very few poor countries chose to apply – by 1999, only Uganda, Bolivia and Mozambique had become eligible for debt relief under this programme. As a result, and following mounting pressure from developmentalists, the programmes was modified into HIPC II later that year. Qualification criteria were lowered, and debt relief became contingent upon countries preparing a PRSP.

Cheru believes that while the decision to link debt relief to poverty reduction is a major step forward, the enhanced HIPC programme remains caught up in a complex web of IMF/World

Bank eligibility conditions. International financial institutions (IFIs) continue to prescribe key economic policies as a condition for receiving debt relief and new loans. Their joint boards also retain veto power over the PRSPs.

However, those countries that have succeeded in having their debt cancelled have been able to devote more resource to social sectors:

- In Benin, 54 per cent of the money saved through debt relief has been spent on health, including rural primary health care, and HIV programmes.
- In Tanzania, debt relief has enabled the government to abolish primary school fees, leading to a 66 per cent increase in attendance.
- Following debt relief, Mozambique has offered all children free immunisation, and has doubled nurses' salaries.
- In Uganda, debt relief has led to 2,2 million people gaining access to water.

Cheru also explained the relationship between the HIPC initiative, PRSPs, and country ownership. PRSPs are meant to be the main instrument or vehicle for low-income countries to achieve the MDGs; they are supposed to be 'home-grown' and 'nationally owned' strategies. But the economic policies providing the foundation for poverty-reducing growth have to be based on 'conditionalities' agreed with the IMF and the World Bank. This tension between externally imposed conditionalities and the 'national ownership' of PRSPs has been recognised in recent IMF and World Bank evaluations (World Bank 2004; IMF 2003, 2004). In effect, governments are being urged to adopt policies prescribed by donors, without the real autonomy to develop their own, home-grown developmental strategies.

Cheru questioned whether PRSP's were sufficiently pro-poor. During the discussions, other participants noted that, in the current globalised environment, the state had a major role to play in guiding national policies. This can be partly achieved by ensuring that economically competent states guide their own national development processes. Furthermore, participants argued that developing states should object to conditionalities imposed by IFIs. Programmes such as the HIPC initiative were perceived as exacerbating rather than resolving development problems such as poverty, due to the conditionalities attached to them.

According to Cheru, the use of PRSPs has been inconsistent and disappointing. The PRSP approach has focused more on stimulating economic growth and less on complementing policies to reduce structural poverty. Most PRSPs to date have not considered the full range of policy actions required for growth and poverty reduction. For economic growth to work in favour of the poor, it must be accompanied by decisive measures to redistribute wealth, promote equality, and improve social safety nets. By contrast, donor-imposed growth strategies, besides being based on very optimistic export projections, have not been sufficiently pro-poor. Progress in simplifying and harmonising donor support for poverty reduction strategies has been disappointing despite progress by some donors in respect of budget support. The principle of 'national ownership' is being undermined by donors' tendency to pursue their own timetable, set their own conditions, and demand their own information, largely unrelated to countries' own PRSPs.

He concludes that the key weakness of the IFIs' approach to economic reform in poor countries has been the failure to recognise that 'structural adjustment' at the domestic level is meaningless without a corresponding adjustment (or realignment of power relations) at the global level. He contends:

> After 25 years of the application of neoliberal economic policies across the Third World, we should have no illusion that the 'Washington Consensus' is the right roadmap to get countries out of poverty. The few instances of successes have taken place in countries that have marched to their own drummers and are hardly poster children for neoliberalism. Such is the case of China, India, Vietnam – three important countries which have violated virtually all the rules in the neoliberal guidebook, even while moving in a more market-oriented direction. It is time for the South to think out of the box and to start putting in place alternatives that would open up considerable policy space for poor countries.

Given this, the overriding lesson is that African states should reform their economic policies, focusing on infrastructure, education, and strategic sectors that would foster development in Africa.

National budgeting and expenditure: health and education in Tanzania

The allocation and tracking of public expenditure and the decentralisation of financial control are key aspects of the state's efforts to meet social needs, including providing access to health, housing, education, infrastructure, and so on. However, fixating on budgets and public expenditure may divert attention away from the macroeconomic policy reforms needed for social and economic development; specifically, policies attending to the productive capacity and resources required for sector development. In paper for this project, Semboja and Katera show that, in the Tanzanian case, increasing the health and education budgets did not necessarily have the desired qualitative impact.

In Tanzania, the health and education sector is mainly financed by the central government as well as donors. The government's disbursements to the health sector have increased over time; however, health spending has remained at 10 per cent of total government expenditure over a five-year period, contrary to the Abuja commitment of 15 per cent. The case study shows that increased budgets alone do not guarantee better service provision, because budget allocations often lean towards salaries and fixed expenditure ('personal emoluments') rather than more flexible development programmes. This is evident in the health sector: while expenditure on personal emoluments (PE), which constitutes the salaries of civil servants, and other charges (OC), which include drugs and other supplies, have increased, ordinary people still do not have adequate access to health facilities.

The Tanzanian government has prioritised expenditure at the lower levels of the health system, because poor people mostly access primary health care facilities.

Moreover, the health budget is heavily donor-supported. This has improved service provision, but may not be sustainable in the long run.

As regards education, primary schools are receiving the largest share of the national education budget, while teacher training programmes are being neglected. However, a heavy bias towards primary education, neglecting secondary school maths, science, and technology, may ultimately limit youths entering the job market to low-level jobs. Therefore, the quality of state expenditure needs to be considered in broader terms. Subjects taught, and how they relate to the labour market, should also be considered.

Translating the MDGs into concrete policy objectives is also important. This should ensure that public expenditure, allocation and tracking are aligned with the MDGs, and that the policies and strategies of all relevant government departments are linked to the Treasury or department of finance.

In general, most budgets in SADC member states are heavily tilted towards paying salaries and the structural costs of running the government, rather than programmes for reducing poverty. Budget allocations to local governments and social sectors are often based on population size, but it is difficult to measure their impact. The challenge faced by many states is to devise a macroeconomic policy framework that supports the redistribution of income and assets to poor and marginalised social groups as well the skills and production capacity.

Services access for the poor: attempts at pro-poor delivery in health and education

The debate about what constitutes pro-poor services in terms of access, affordability, and the equitable distribution of resources and employment is vital to the broader debate about alleviating poverty. If a state chooses to privatise services, including municipal services, this reflects an assumption that the state would produce less efficient and affordable products /services than those offered by non-state service providers. This assumption needs to be tested, and outcomes measured against it. For example, if states choose to improve access to water through privatisation strategies, the owners of the water and service providers recover their costs by charging communities for actual consumption at competitive market prices. However, low-income populations are unable to pay market-related prices for water or other basic services.

Many SADC countries have introduced pro-poor programmes focused on promoting economic growth, based on the assumption that privatisation will enhance social welfare.

In her paper for this study, Paula Tibandebage shows that, while the provision of services to the poor is a stated priority of many governments in the region, not many services effectively reach and address the needs of the poorest of the poor. Social services play a major role in enhancing people's capabilities, and are therefore an important component of poverty eradication strategies.

Tibandebage argues that the provision of pro-poor services does not automatically mean that people have equal access to those services. People who are better off also access pro-poor services, thus worsening the access of the poor to those services. Some SADC countries have embarked on pro-poor service delivery that addresses very specific needs of the poor; these include free primary education programmes in Tanzania and Malawi. These strategies have successfully increased school enrolment, but possibly at the expense of educational quality. Quality has been compromised in terms of teacher training, classroom construction, and teacher to pupil ratios. Therefore, in providing services to the poor, the issue of quality also needs to be considered and monitored to ensure that pro-poor service delivery really benefits the poor.

Tanzania has also introduced a user fees exemption (UFE) programme in the health sector, as well as a pre-paid mutual health insurance scheme. The UFE was introduced after user fees were instituted in the health sector, and theoretically enables the poor to access free health care; however, in practice, user fees have further excluded them from the public health system. The government also established Community Health Funds (CHFs) as a means of improving health services in the rural areas. It is a voluntary pre-paid scheme that identifies those who cannot afford to pay. Local authorities are required to cover the costs. However, subscription to the CHFs is very low, and they are therefore unable to cover the number of poor people needing health care. The government subsidy does not reach those who cannot afford to subscribe to the scheme, and the poor therefore remain marginalised. Programmes that involve government subsidies and co-payment are not necessarily redistributive, as they can fail to include the poorest of the poor.

Tibandebage notes that these examples of 'pro-poor' policy initiatives indicate the need for clarity about what 'pro-poor' actually means. Some show that the initiatives in question do not succeed in improving access to those services by the poor, and that some continue to disproportionately benefit the better-off. It is therefore clear that policy initiatives intended to promote the access of the poor to social services do not necessarily succeed. She recommends the following steps to ensure that these initiatives actually have the desired effect:

Using government subsidies in a more pro-poor way: Planners and policy-makers should carefully consider how government subsidies should best be used to meet the needs of the poor. The example of the CHF shows that some subsidies actually benefit the better-off rather than the poor. Therefore, part of such subsidies should be used to provide entirely free services to those unable to pay for them.

Matching budget allocations to policy priorities: National budgets are key instruments for operationalising government policies and strategies. Therefore, budget allocations should adequately reflect policy priorities; a mismatch between policy and budget priorities would certainly affect the achievement of key objectives. Research in Tanzania suggests that such mismatches are in fact occurring. Therefore, government planners need to ensure that resources allocated in central budgets are matched to policy priorities. Importantly, some SADC economies are not self-sustaining, and deciding between competing priorities remains a major challenge for the governments of those countries.

Effectively monitoring pro-poor state expenditure: Even if adequate financial resources were available, the objectives in question will not be met if those funds are poorly spent. Therefore, governments and others have to ensure that resources allocated to meet the needs of the poor are actually used for this purpose, and actually reach those end users. One way to do so would be to create an effective system for monitoring and tracking public expenditure. Civil society organisations (CSOs) have played a vital role in this respect, and should continue to do so.

Placing policy initiatives in their proper context: One-size-fits-all solutions often do not work because they fail to take local circumstances into account. Policies often fail because they were designed to fit in a given context, and are then uplifted and applied in a different context. All policies should therefore be designed in such a way that they can be adapted to specific contexts. Put differently, it is important to first determine the extent to which social, political and other factors may support or hinder the effectiveness of a given policy initiative, and design it in such a way that it can be adapted to those local factors.

Going beyond targeting: Targeting alone will not reduce poverty in a sustained way. The poverty status of some SADC countries suggests situations of generalised insecurity. Besides initiatives that target the very poor, reducing poverty to targeted levels would also require more broad-based mechanisms of social protection.

Paying more attention to broader infrastructure and systems: In order to sustain pro-poor services, attention must also be paid to the broader systems in which they are located. For example, besides introducing a targeted scheme, ensuring sustained access to quality health care may also require improving the systemic organisation of health services, financial services, and so on.

The role of local government in addressing poverty: unpacking decentralisation

Decentralising government down to the local level is regarded as desirable because it brings government 'closer to the people' – i.e., local governments allow greater direct political participation, can be held more directly accountable by the communities which elect them and which they serve, and are also better able to respond to local conditions in the course of delivering services. As a result, they should be able to play a significant role in reducing poverty.

However, local governments often do not have the political authority and the resources needed to play their allotted roles. Therefore, without strong and effective backing from the central state, the idea of 'bringing the government closer to the people' may not have the desired effect, and could increase rather than reduce the disparities between the rich and the poor.

While desirable in principle, the decentralisation of public services, infrastructure development and other functions to the local level will only be successful if certain conditions are met. One is that local governments should have the capacity to generate and administer the resources they need to perform those functions, and create democratic and accountable systems.

Moreover, while local governments should have the scope to respond to local conditions and local needs, local strategies for development and poverty alleviation cannot be evolved in a vacuum – they need to be co-ordinated with those of other local governments and regions, and conform to national norms and standards. Therefore, national governments need to provide an overarching policy framework for the regional or local evolution of social and economic strategies for addressing poverty.

In his study for this project, Ebrahim Fakir notes that local government is commonly regarded as having an important role to play in the delivery of public services. However, if local governments are to play a significant role in poverty eradication and sustainable development, they need to be properly capacitated, and amenable to the political influence of the poor.

In an ideal state, local government should ensure the sustainable provision of services to communities, and promote social and economic development and a safe and healthy environment. But many developing nations have weakened state structures that are unable to perform the duties states are normally expected to perform, with the result that the poor in those countries are often severely disadvantaged in terms of service delivery.

Fakir contends that there is often a mismatch between the functions local governments are expected to perform, and the resources they are given to do so. Local governments should be given sufficient scope to make meaningful decisions at the local level; however, they should also have the skills and resources for effective service delivery. National government – or the central state – needs to ensure that this is the case.

Decentralisation is regarded as desirable because it provides an opportunity for more accountable and transparent government, and provides a site for direct oversight over the state. At this point, however, many SADC countries have decentralised state structures that are not sufficiently effective, responsive, or accountable.

Another important aspect of service delivery is the relationship between government and the private sector, notably the potential and limitations of public-private partnerships. Fakir asserts that these partnerships often adversely affect the poor because – given that private entities are driven by the profit motive – the services they provide are very expensive. The wealthy can afford to pay the 'market' price, but the poor are unable to do so, and therefore often have to forgo those services entirely. Thus the authors argue that the movement across the developing world towards public–private or purely private service providers has created major problems for the poor; moreover, under these arrangements, citizens cannot accuse the state of poor service delivery, and accountability is therefore distanced or diminished.

The author explains the various types of decentralisation, including political, administrative, fiscal, and market decentralisation. These distinctions highlight the many dimensions of decentralisation, and the need to co-ordinate them. Nevertheless, they do overlap to some extent, and the precise definitions are less important than the need for a comprehensive approach.

The author contends that local governments need both decentralised delivery and decentralised decision-making. If delivery only is decentralised, this results in a technical and instrumental response. Local governments can attain a high level of democracy, but if they lack the capacity to deliver, the system will not work.

The author suggests three guiding principles for decentralisation. The first is that decentralisation is first and foremost a political issue rather than an instrument for delivery; if a programme to decentralise governance down to the local level is to succeed, the political will must exist to achieve a number of political, public policy and social goals in the process. The second is that decentralisation will be enhanced or constrained by local contexts and contents. The third is that the state should consider whether decentralisation will enhance and give effect to effective governance in a rights-based order.

This raises the question: are SADC states ready and able to bring governance down to the local level? In this respect, SADC states face numerous challenges, including a lack of vibrant and active local communities. In addition, they need to create effective local electoral systems.

In conclusion, Fakir argues that too much attention is being paid to local government, and that more should be focused on reforming the nation state to make it stronger, more effective, and more accountable. The state should essentially change the conditions of people, and have a broad social function. This suggests the creation of a broad and active state with a wide scope, and the incorporation of components of decentralisation capable of responding to local social conditions. This would require a deeply entrenched culture of political participation as well as reciprocity between national and local government. A purely instrumentalist view of local government is problematic.

The key developmental issue in respect of decentralisation is that while political decentralisation is desirable in principle, as this is the site where political participation can best be realised, decentralised governments are inevitably weaker than a centralised state, and the latter are better able to mobilise the resources needed to effect significant social change.

This is a key issue in democratic theory in which the value of popular participation is offset against effective service delivery and the ability to mobilise social change.

Put differently, while decentralised political systems offer the greatest opportunities for political participation by citizens, they are necessarily weaker than central states, and less able to address major social problems such as inequality. Therefore, they tend to ameliorate or entrench whatever inequalities exist in a given society.

By contrast, while strongly centralised states are less amenable to political participation and therefore less accountable and more prone to shading into elite formation or undemocratic governance, they are better able to muster the resources to mobilise far-reaching social change. This is clearly a crucial issue for the region.

Conclusion

Part one highlights the challenges of – and current ineffectual approaches to – alleviating poverty in the region, and achieving the MDGs. These include a limited conceptualisation of poverty, and a strong bias towards money-metric measures; the adoption of poverty reduction strategies argued to be very similar to the damaging structural adjustment programmes; and an obsession with budgets and budget allocation in the absence of a macroeconomic framework that supports the attainment of social goals and economic development for all.

Other problems include the prioritisation of quantitative targets in the absence of a qualitative impact on the lives of people, particularly in programmes for pro-poor service delivery, which in Tanzanian case studies are shown to further worsen health service to the poor; and, finally, attempts at decentralising governance without fully understanding that if certain conditions are not met, decentralised state structures may in fact worsen service delivery and political accountability rather than improve them.

Part two

What needs to be done?

BUILDING ON the analyses in part one, this section seeks to identify the principles that could underpin new and more effective policies for achieving people-centred development and reducing poverty, in SADC as well as elsewhere.

The authors of the papers cited in this section argue in favour of policies that will strengthen the political influence of the poor, support stronger state intervention in social and economic development, encourage regional integration based on a developmental agenda, and foster global economic reform. The main theme unifying their arguments is that states should prioritise people-centred development instead of market-related objectives.

Poverty, policy, politics, and power: framing 'pragmatic pro-poor politics'

Policy-makers and analysts generally agree on expanded definitions of poverty. However, in his paper written for this project, Firoz Khan contends that they often disagree about appropriate mechanisms for alleviating or eradicating poverty. He identifies two groups in these political economy debates. Group A comprises members of finance ministries, economic analysts, economic policy managers, representatives of the international financial institutions and regional multilateral banks, financial journalists, and academic economists trained in the Anglo-Saxon tradition. Group B comprises representatives of NGOs, academics (many of them non-economists), members of international and multilateral development agencies and aid ministries, and so on.

The groups agree on expanded definitions of poverty; 'the role of international public goods in determining the well-being of the poor' (e.g. proactive measures to address cross-border environmental externalities or financial instability); and that state and market power should be harnessed to remedy poverty and underdevelopment. However, they differ about an appropriate 'policy package', with Group A calling them 'growth-oriented policies' and the other group labelling them 'economic policies that hurt the poor'. The areas of disagreement are threefold.

First, Group A and B operate at different levels of aggregation. Working at the aggregate level (for example, one dollar a day), Group A collates historical data or household information, and pronounces on poverty on the basis of this national picture. Group B, on the other hand, whose members often operate at ground level, is sceptical of Group A's claims of diminishing poverty when they observe more people standing in line at soup kitchens, more street children, and more homeless people. When confronted with this evidence, Group A seeks sanctuary in its technical bunkers, and communication breaks down. Secondly, Group A instinctively approaches the distributive consequences of economic policy through a competitive market structure – an economy populated by numerous small agents, utility maximisers, and self-interested actors. Agents and actors in this economic environment interact with equal market power (there are no monopolies), and make informed decisions on the basis of market information. Group B points to a market riddled with power imbalances wielded by agents both big and small (from big corporations to local money lenders who charge poor villagers usurious interest rates), and see these agents as exercising enormous power over the formulation and implementation of economic policy. Thirdly, Group A subscribes to the view that the economic benefits of market-oriented reforms will trickle down to the poor within five to ten years. By contrast, Group B emphasises that, in the short term, market reforms invariably have a negative impact on the lives, livelihoods, and coping strategies of the poor, particularly when safety nets are either absent or deficient.

The economic policies adopted by many countries are largely based on the economic paradigm of Group A. Although the divide between these groups seems unbridgeable, Khan argues that there is cause for some optimism occasioned by the potentially progressive dimensions of the emerging post-Washington Consensus (PWC). He believes the PWC represents a 'novel synthesis of two previously dominant paradigms in development theory and policy, namely national developmentalism with its emphasis on the critical role of the state in overcoming market failure, and neoliberalism, with its unquestioning belief in the benefits of the free market. While this synthesis does indeed throw up many contradictions and tensions but encouraging – at the very least – is the re-insertion of the state into the development equation and the weight attached to tackling poverty and inequality as objectives in their own right.'

A key consideration in reinserting the state into the development equation is the former's assembly of social coalitions and compacts aimed at supporting and sustaining policy and institutional reform – in this respect, Khan believes the politics of poverty eradication becomes vital, and he provides a few key propositions about politics and poverty to set the stage for a discussion of a feasible and pragmatic pro-poor politics.

Firstly, recognising the interdependence of wealth and poverty is central to mobilising state policy to address the needs of the poor. Khan argues that important drivers for substantial poverty reduction in countries such as Malaysia, Taiwan, South Korea and Thailand were largely related to social conditions. The perceptions, insecurities, fears, and enlightened self-interest of the elite created the preconditions for the development of progressive pro-poor policy. One, the elite perceived their welfare and that of the poor as interdependent. Two, the elite recognised that the poor did in fact have the means to affect their own welfare through crime, insurrection, and disease. Three, the elite came to believe that it would be in their best interests to reduce the threats to their welfare presented by the poor. Khan believes this 'bona fide political will – as opposed to mere rhetoric – was instigated by self-enlightened elites who perceived grinding poverty as the most significant threat to national security'.

These countries that have crafted and installed a 'developmental state' had a vision and strategic plan which included all social sectors, including the poor. Therefore, Khan proposes that if the state understands the interdependent relationship between the wealthy and the poor, a wide range of possibilities present themselves for forging pro-poor alliances around issues that affect rich and poor, white and black, men and women and the many other social fault-lines, such as rape, domestic violence, police corruption, and so on.

Khan states: 'Presented in this way is the possibility of a feasible pro-poor politics rooted in the institutionalisation of progressive state–civil society relations at micro and macro levels, pivoting on institutional innovation and democratic governance driven and guided by the imperatives of altering structural relationships between state and the poor, the state and rich, and the rich and the poor.' In Latin America, the empowerment of the poor serves both as an instrument for reducing poverty as well as an aspect of poverty reduction. In this schema, the state actively creates and shapes the spaces and opportunities for the poor to determine the development trajectory and define its materiality via 'induc[ing] the collective action needed to make anti-poverty interventions work better'.

Secondly, Khan argues that the new generation of developmental states that are slowly emerging in Latin America are attempting to 'reconnect' politics and economics through 'building participatory, democratic processes from the community level up and building redistributive mechanisms into policy-making from the state down'. This is demonstrated by installing a 'redistributive vertical axis of governance[1] ... from the constitution down to the everyday practices of average citizens'. This vertical reordering of governance is complemented by the democratically/community-driven reorganisation of the horizontal axis of governance (between citizens and the state at the local level) via the introduction and strengthening of participatory processes which generate economic, social and cultural projects – i.e., projects that are 'community-designed and -driven'.

Thirdly, Khan recommends the rethinking of governance and institutional reform. As regards governance, he points out that the current 'good governance agenda' could potentially enhance transparency and accountability, but is not always clearly related to the poverty alleviation. Often, in this discourse, little is said about the role of legislatures (from the local to national level), and how public officials should be held publicly accountable. Legislatures, in short, are not included in the institutional architecture of 'good governance'. Good governance also fails to determine the sector reform that will alleviate poverty most effectively.

According to Khan, an alternative approach is a reform agenda that prioritises 'good enough' and/or (developmental state-type) 'bad' governance. Institutions should be designed for their specific functions rather than imposing the expensive, 'one-size-fits-all' good governance approach. In some cases, he believes, it may be more appropriate to (re) construct traditional Weberian bureaucracies, which reduce poverty more effectively than the new-age public management/good governance ones. But institutions cannot reduce or eradicate poverty without greater policy space created by the parallel or prior redistribution of assets and incomes. Class, ethnic, and racial inequalities severely constrain the attempts of even the 'boldest, civic-minded and well-informed politician' to effect sustainable policy reform. High-quality institutions are positively associated with higher rates of economic growth as well as lower levels of inequality. However, Khan asserts that greater levels of social cohesion produce better institutions, and these, in turn, lead to higher rates of economic growth. Policies aimed at reducing inequality and addressing exclusion are therefore central to building social cohesion, good quality institutions, and pro-poor growth.

Key points

- Recognising the interdependence of wealth and poverty is central to mobilising state policy to address the needs of the poor.
- In countries such as Malaysia, Taiwan, South Korea and Thailand, progressive policies were related to social conditions in that the perceptions, insecurities, fears, and enlightened self-interest of the elite created the preconditions for the development of progressive pro-poor policy.
- These countries have crafted and installed a 'developmental state', involving a vision and strategic plan that include all social sectors, including the poor.
- The new generation of developmental states emerging in Latin America are attempting to 'reconnect' politics and economics through 'building participatory, democratic processes from the community level up and building redistributive mechanisms into policy-making from the state down'.
- The current 'good governance agenda' for Africa could potentially enhance transparency and accountability, but is not always clearly related to poverty alleviation. Therefore it may be more appropriate to (re)construct traditional Weberian bureaucracies, which will reduce poverty more effectively than the new age public management/good governance ones.
- High-quality institutions are positively associated with higher rates of economic growth as well as lower levels of inequality. However, greater levels of social cohesion are required to produce better institutions, and these, in turn, lead to higher rates of economic growth. Policies aimed at reducing inequality and addressing exclusion are therefore central to building social cohesion, sound institutions, and pro-poor growth.
- Institutions on their own will not eradicate poverty; organisations demonstrating the capacity to improve are likely to remain islands of excellence unless civil society is also strengthened. This can be achieved by focusing less on governance and more on strengthening the political clout of the poor, thus enabling civil society to keep the state accountable and efficient.

Fourthly, Khan recommends that the language used by leaders intent on pro-poor reform should move away from that of 'state failure', and how to repair or improve the state, to that of identifying state success – the pockets or islands of excellence within the state, what makes them work, what drives the officials involved, and so on. Until very recently, public sector reforms was largely about fixing state structures, and regulating the activities of public sector workers; by contrast, what is required is a movement beyond macroeconomic stabilisation in which the reduction of poverty and inequality plays a key role. This demands a new form of statecraft. At present, analysts and planners are concerned with building new institutions attuned to the goals and objectives of poverty reduction. But while structures, systems and rules are still important, organisational specialists now also recommend 'loosening up' organisational rules and procedures.

Complementing the finding that institutions on their own will not deliver on poverty eradication, organisations demonstrating the capacity to improve are likely to remain islands of excellence unless civil society is also strengthened. This can be achieved 'by focusing less on government and more on strengthening the political clout of the poor in civil society' to keep the state accountable and efficient.

In conclusion, strengthening the political clout of the poor, nurturing a culture of entitlement, building social capital, implementing first and second generation public sector reform, and introducing prior or parallel redistributive measures constitutes the essence of the poverty eradication programme of the new millennium. Without this battery of complementary reforms – within the structures and rules of the global political economy – the chances of achieving the MDGs and proceeding beyond them are slim indeed.

Contextualising a developmental state that addresses the needs of the poor

In his paper for this study, Saliem Fakir seeks to develop a closer description of a developmental state capable of reducing inequality and alleviating poverty. Fakir argues that the current debate on what constitutes a developmental state is often conducted in very simplistic terms, and he therefore seeks to develop a more sophisticated model for measuring their effectiveness.

Fakir draws on Karl Polanyi's notion of the developmental state as a progressive state with a determined role in the economy, and one in which the economic imperative is less important than social and political objectives (Polanyi 1946).

In seeking to define a developmental state, Fakir also refers to Evans's and Mkandawire's characterisations. Evans's main thesis revolves around the behaviour of state incumbents and their relations with non-state actors in building support for their developmental effort, and also the extraction of rents that enhance the long-term efficiency of the bureaucracy – which he typecasts as 'embedded autonomy' (1989). Evans's definition tends towards an ethnographic description of the workings of the developmental state.

Mkandawire (2001) characterises the developmental state as having three key attributes. First, it has to have ideological hegemony, in order to ensure that its ideas predominate. Second, it must have the technical, administrative, institutional and political capacity and power to implement its economic policies. Third, it must have the autonomy to act in the best interests of its citizens without being constrained by external forces – either national or transnational.

Fakir asserts that, in countries with high levels of inequality, the state has no choice but to embark on a developmental agenda; it has to concede to its underdeveloped constituencies, or face social instability. If it does so out of moral regard, this is a bonus to all, but if it does so in the interests of its own preservation and that of a small elite, it is embarking upon enlightened pragmatism. Fakir argues that markets are oblivious to social needs, historical backlogs in service provision, and the future; instead they are driven by immediacy, quick profit-taking, and loyalty to investors, rather than to country or countrymen.

He contends that quasi-public institutions such as state parastatals are important tools in the arsenal of the developmental state and major social levers in their own right, not only because they are major employers but also because they drive the delivery of essential services to the poor.

The early adoption of privatisation by neoliberal economists, which had its greatest impact in Latin America, is now slowly being reformed, and the developmental landscape being recaptured by the state. Two notable examples are Bolivia and Venezuela, where activist states have redefined the role of the private sector in determining the national development agenda.

However, Fakir contends that a progressive developmental agenda will always be contested by powerful interests. In India, Turkey and Brazil, for example, industrial policy is planned by the state, but has not developed in the way state managers originally envisaged. Policy is differently interpreted and captured by classes that have the most to benefit – in terms of capital accumulation – and simply introduce their own practices with the claim of being in line with state policy and intent. Furthermore, local elites do not act on their own, but always in consort with other elites in a globalised and cosmopolitan framework.

Other powerful states come to the defence of these elites and interests, especially when their geopolitical interests are threatened. In many respects, American aid to Europe and certain Asian states was largely informed by geopolitical interests rather than altruism. In the latter case, American aid was aimed at bolstering capitalism in the emerging 'Asian tigers' so that they could act as a bulwark against communism in that part of the world.

As a result, the developmental agenda straddles two political spaces: national and transnational. In a globalised economy, the margins between these two dimensions are becoming ever narrower. States have to manage their economies in a transnational context, and adapt to the challenges presented by transnational politics and economic exchange.

Understanding the forces that operate at the transnational level is therefore vital for transitional states such as those in Africa.

Polanyi's additional filters

For Polanyi, the value that society derives from economic activity is dependent on the extent to which it advances social goals, rather than narrow individual or elite interests. The state's primary objective is not to facilitate solely economic interests, and thus to exist only for the benefit of dominant economic players. The state must be viewed as constructing, through the political imperative, the conditions for national culture, and in so doing to align its economic objectives with the national culture. This is in contrast to the neoliberal school, in which the economy defines national culture and politics.

Polanyi's ideas of a development state are based on redistribution, reciprocity and integration of the economy with social objectives, with the state playing a central role in industrialisation and trade.

His ideas about redistribution are centred on the administrative body capable of claiming the proceeds of economic activity for reallocation to those parts of the economy and society whose needs are not fulfilled. For example, a country's ability to tax its working and wealthy citizens and companies is a key element of Polanyi's redistributive mechanism. The appropriate and judicial allocation of tax revenue to cover social needs – resulting from debate and national consensus – is another important aspect of his redistributive model. Other important elements are land reform, the stimulation of investment in underdeveloped sectors of the economy, and building new entrepreneurial capacity.

A second element of Polanyi's thesis is reciprocity, which involves an arrangement of exchange between individuals. This is reflected in culture and in moral attitudes. Basically, what emanates from social capital at the basic unit of social organisation is reflected at the highest point of social life: the state. The behaviour of individuals towards each other as forms of mutual empathy and care is replicated at the pinnacle of the state in the way in which it organises social welfare provisions, including care of the indigent, children, the elderly, the sick, and the disabled. State interventions that reinforce reciprocity can take the form of incentives for gift-giving, donations, and other forms of aid, such as voluntarism, which enhance the collective spirit and goodwill, and the organisation of public relief programmes.

A third element of Polanyi's approach involves development and industrialisation, and emanates from the work of the German economist Friedrich List, an early proponent of the 'infant industry' argument. List's main thesis was that the wealth of a country should be measured in terms of how it deploys its productive assets – both human and natural – for the production of goods of value.

Key points

- In countries with high levels of inequality, the state has no choice but to embark on a developmental agenda; it has to concede to its underdeveloped constituencies or face social instability.
- Markets are oblivious to social needs, historical backlogs in service provision, and the future; instead they are driven by immediacy, quick profit-taking, and loyalty to investors rather than to country or countrymen.
- Quasi-public institutions such as state parastatals are important tools in the arsenal of the developmental state and major social levers in their own right, not only because they are major employers but also because they drive the delivery of essential services to the poor.
- A progressive developmental agenda will always be contested by powerful interests. In India, Turkey and Brazil, for example, industrial policy is planned by the state, but has not developed in the way state managers originally envisaged. Local elites do not act on their own, but always in consort with other elites in a globalised and cosmopolitan framework.
- For Polyani, the value that society derives from economic activity depends on the extent to which it advances social goals rather than narrow individual or elite interests.
- The state must be viewed as constructing, through the political imperative, the conditions for national culture, and in so doing to align its economic objectives with the national culture. This is in contrast with the neoliberal school, in which the economy defines national culture and politics.
- Polanyi's ideas of a development state are based on redistribution, reciprocity and integration of the economy with social objectives, with the state playing a central role in industrialisation and trade.
- List argues that countries that are largely dependent on agriculture will always remain poorer and less capable of acquiring sufficient power in the international economy because they lack a manufacturing base. Therefore, mental capital rather than the nett value of natural wealth is key to shifting economies from underdevelopment to development.
- Economic development requires that the state uses its power and influence over the developmental discourse to bolster a purposeful industrialisation along the lines suggested by List.
- The success of a developmental state depends on how it holds all this richness together – both the capacity to change course en route, and to incorporate learning so as to successfully achieve economic and social transformation.

List advocated the judicious use of the power of the state to ensure a nation's self-development, and the terms on which it engages with other nations, and gauged against its own national interest rather than some universal moral principle of cosmopolitanism in the face of unequal trading power. He argues that countries that are largely dependent on agriculture will always remain poorer and less capable of acquiring sufficient power in the international economy because they lack a manufacturing base. For List, mental capital, rather than the net value of natural wealth, is key to shifting economies from underdevelopment to development.

Fakir concludes that the developmental state cannot hold fixed positions about achieving a specific social end. It has to operate in a specific context, and assess what it can and cannot do to achieve its developmental agenda in the context of opportunities or constraints presented by its specific setting.

'How the state intervenes,' he notes, 'is largely dependent on its capacity to engage the various forces that seek to make it more this or that way – it is always subject to the pressure of interest groups.'

Economic development requires that the state uses its power and influence over the developmental discourse to bolster a purposeful industrialisation along the lines suggested by List. It is not merely a matter of the production of goods, but of using industrialisation and trade with other countries to advance a country's knowledge and intellectual ingenuity.

Finally, the developmental state is an experimental state. A developmental phase is one in which there is an urgency and a flurry of ideas. The success of a developmental state is dependent on how it holds all this richness together – both the capacity to change course en route, and to incorporate learning so as to successfully achieve economic and social transformation.

Strengthening regionalism based on a developmental approach

The Dar es Salaam Helsinki Round Table on Growth and Employment held in November 2006 stressed the reintroduction of the national project, with the state managing the market rather than the market managing the state. Yash Tandon, current director of the South Centre, and former director of the Southern and Eastern African Trade Information and Negotiations Institute (SEATINI), stated that the African experience of the 1960s and 1970s was still relevant today, and the time had come to rethink neoliberalism as a development model for the African region, particularly the policies espoused by the Washington Consensus and advocated by the international financial institutions, notably the World Bank and the IMF. A new psychological paradigm was also required to defeat the economic orthodoxy of the past two decades and engineer locally based strategies for generating economic growth and social development. African economies were currently dominated by global integration rather than internal integration; by contrast, what was required for developmental states in Africa was incentives, protection, and diversification.

In her paper for this project, Dot Keet seeks to expand this view, and identifies key issues surrounding the development of effective developmental states in Africa, notably strengthening the key agencies required to promote appropriate regional strategies for qualitatively different development in and among African countries. She advocates the promotion of regional strategies based on equity, human rights, and human security, within sustainable and substantially self-sustaining development in and among SADC member states.

Keet states that deliberate and deliberated programmes and policies are required to counter or undo the pronounced inequalities and inequities in these countries. At the most general, this would entail:

- investigating and identifying internal and external sources and causes of poverty;
- prioritising key geographic areas and social or economic sectors for intergovernmental and/or governmental attention;
- directing economic and social programmes at social groups and areas where they are most required;
- actively (re)distributing production assets more equitably within countries and across the region; and
- creating other compensatory programmes and dedicated development funds and institutions to promote the above.

According to Keet, such conscious re-balancing efforts within and between the countries of Southern Africa are essential on the grounds of equity, justice, and social stability. But such targeted redistributive measures would also serve far-sighted developmental strategies for improving resources and skills, and improving the income of the majority. Together, these redistributive measures within national entities would create self-reinforcing production-and-consumption development dynamics, and redistribution across borders within immediate regional communities would ensure that such dynamics were wider in scope and deeper in impact.

However, such redistributive and compensatory developmental strategies in the region would be so complex and challenging that implementing them would require a concerted effort by public agencies, and effective co-operation and co-ordination among them. This would not be straightforward. However, such processes could not be left to the blind forces of the market and the much-vaunted but by now entirely discredited 'trickle-down' effect of unbridled private sector activity.

Keet underlines the vital role of public/governmental agencies in these types of developmental programmes, as the private sector is not equipped to sustain them. This throws a spotlight on the relationship between business and government, and between 'states and markets', in promoting quantitative economic 'growth' and especially the qualitative development programmes essential to reducing poverty, realising human rights, and achieving social security and stability. Even the World Bank – which for decades energetically discredited and actively dismantled state-led models and institutions in Africa – has been forced to recognise the essential role of the state in circumstances of pronounced underdevelopment, as in Africa.

Keet supports an interventionist state, and underscores the need to revisit the first generation of state-led economic models in Africa (and elsewhere), in order to unpack their underlying economic/political rationale and motivations, their functioning, their achievements, and their shortcomings. The last-named should be investigated impartially, in order to establish whether the sources of their problems or 'failures' lay in:

- basic strategic (mis)conceptions and excessively ambitious aims, or in their operationalisation and implementation;
- the relative weight of management weaknesses and other 'subjective' inadequacies, or objective resource and market limitations;
- the role of internal/national or external/international factors and forces; or
- interactions among all of these factors.

She also emphasises the important role of governments in negotiating regional arrangements and agreements. Effective regional development requires:

- co-operation – including monitoring and dealing with shared water resources, meteorological/climatic issues, epidemics or diseases, environmental issues, and other processes that are not confined within political borders;
- co-ordination – including the many interlinked technical systems and infrastructures involved in national and regional development, especially in respect of road, rail, air, and other forms of transport and communications; and
- harmonisation – of the rules, regulations, norms and standards governing such common systems and cross-border relations, including in the areas of finance and banking, safety and security, labour regulations and migrations, human rights, health and environmental standards, and more.

She believes intergovernmental agreements have to go much further than cross-border 'co-operation, co-ordination and harmonisation' towards actual sectoral integration. This entails qualifying or removing complicating political and bureaucratic barriers and boundaries impeding the optimal co-ordination – and even full integration – of industrial and agro-industrial production, commerce, trade and tourism, energy generation and distribution, water conservation and distribution, environmental, biodiversity and wildlife management, and much else.

Furthermore, these forms of 'market integration' must not be equated or confused with 'market-driven' integration. Such integrated regional operations would require intensive planning and negotiations: not only about the technical details, but also to accommodate the economic, social, and cultural specificities of the participating countries, their vulnerabilities, their different capacities and levels of development, and so on. In this context, the principle of the 'special and differential treatment' (SDT) of countries at different levels of development under the General Agreement on Tariffs and Trade (GATT) and the WTO; and the notion of 'common concerns but differentiated responsibilities' among countries with differing financial, technical, and other resources under the Commission on Sustainable Development (CSD) and other UN agencies – which the governments of developing countries are arguing for at the global level – have to guide and inform the negotiations among the members of putative developmental regional communities such as SADC.

The following are some of the key theoretical approaches and policy frameworks required for an alternative developmental regional paradigm:

While high-level regional negotiations are essential, they are not sufficient in themselves for securing region-wide development. At this stage, governments of countries in the region lack the political will to conclude and implement effective regional agreements, and create regional processes and institutions. The slow progress in these areas reflects the complex nature of these developmental programmes. But the tardiness in reaching agreements within SADC, and the long delays even in ratifying agreed protocols, reflect the reluctance of national political players to cede crucial aspects of their countries' 'sovereignty' – or, more specifically, their own exclusive control over national economic resources and decision-making. Keet points out the political paradox that many regional governments are willing to cede large measures of their 'national sovereignty' to external forces, such as the IMF and the World Bank, because they provide financial resources. But these same governments jealously resist ceding any measure of their national controls to the regional institutions, even if these are to be created democratically in concert with their immediate neighbours.

The accompanying challenge is that effective developmental programmes have to involve different levels of government in each country. Provincial and local authorities are often better placed than central or national governments in identifying policies and programmes for dealing with the economic, climatic, ecological, social, and cultural features they share with their immediate neighbours. These cross-border linkages constitute the 'real' geo-economic subregions in the region. As such, these forms of subregional cross-border integration could constitute important incremental building blocks of regional integration within the overarching policy frameworks agreed at the national and regional levels. In this way, regional integration could be characterised and driven by both 'bottom-up' and 'top-down' processes.

Government structures at all levels have to engage with organised popular forces, which themselves need to co-operate across borders. Such wider popular engagement is essential in order to ensure:

- the discussion and formulation of specific social and economic development programmes that reflect the real needs of people on the ground, and the problems and solutions that invariably cut across political boundaries; and

- the democratisation of and popular identification with regional social and economic programmes, which should both drive and constitute the very essence of the entire developmental regionalisation project.

Policies, programmes, and alternative paradigms for regional integration

Keet asserts that policies and programmes for dealing effectively with inherited imbalances and inequities within and among Southern African countries and communities have to be comprehensive as well as collectively created and implemented, and therefore have to be located within a very different paradigm.

She proposes the following framework for distinguishing between the current neoliberal framework being promoted in and through SADC, and an alternative developmental regional paradigm:

Regional trade facilitation and regulation

The current SADC project is primarily trade-based and trade-driven, and reflects the assumption that growth in trade is essential for national and regional development. While formal trade has an important role to play in all economies, informal, people-based, and largely women-led cross-border trade should also be facilitated.

Cross-border trade in the region should also be actively regulated. This requires supportive tariff regimes that have to be selective, transitional, and conditional upon productive performance, and not perceived as unconditional permanent protection. Trade facilitation also requires measures to deal with inadequate infrastructures, inefficient customs procedures, and other bureaucratic impediments. Steps must also be taken to address the major and growing trade imbalances between South Africa and other SADC countries.

According to Keet, the most contradictory feature of the current SADC trade regime is that SADC governments constantly complain about their trade deficits in South Africa's favour, but energetically argue in favour of full regional 'trade integration' at the same time, even though this will inevitably exacerbate such trade imbalances. She believes the current thrust towards full regional free trade by 2008 is ill-conceived, because it will inevitably favour South Africa and the other stronger economies in SADC, such as Mauritius (and, until recently, Zimbabwe).

Regional production development and diversification

Current trade strategies are largely focused on eliminating supply-side constraints in order to take advantage of market access; by contrast, Keet contends that effective productive capacities are the most fundamental underpinning of effective trade. The productive sectors in SADC countries also need to be directed at their own markets, not only the regional market.

However, regionally oriented production and trade would play a key role in more balanced and higher levels of mutual development. This would require:

- diversifying the manufacturing and processing industries in the region;
- encouraging new areas of specialisation or divisions of labour among the countries in the region, taking into account local resources and skills, but not confined to their current 'comparative advantages'; and
- promoting regional complementarities in national production profiles, reflecting the need to change existing production patterns, and ensure the wider distribution of value-added and employment-creating production across the region.

Such an approach would have to be intensively negotiated by regional governments, and the resultant programmes would have to be carefully implemented, and adjusted as necessary. This would require a high level of mutual accommodation, co-ordination and co-operation. This would not be easy, but would be essential for creating co-ordinated and complementary industrial, agro-industrial and other regional production strategies, rather than continuing wastefully duplicated and competing programmes in the same sectors.

Similarly, in so far as certain sectors of national production in SADC countries are oriented towards international trade, this should be based on higher levels of local and national processing, and greater beneficiation than their current predominantly unprocessed commodity exports. This would also require proactive programmes and governmental interventions to ensure greater returns from agricultural, forestry and fisheries and mineral products and exports, and higher levels of job creation.

Regional development resources and investment

Keet proposes the introduction of developmental investment regulations for national, regional and international investors, which should be located within an agreed regional financial framework and investment code. This should include:

- conditionalities for the movement of capital within the region, and controls over the rapid and speculative movement of capital into and out of the region;
- criteria and time frames for reinvesting profits made by all local and international companies operating in the region;
- requirements for local inputs into such ventures, encouraging the creation of backward and forward linkages to existing or newly stimulated local companies; and

- the transfer of technology and managerial skills, labour rights and skills training, and social and environmental responsibilities, as well as formal accountability and accounting obligations.

Under a different development approach, development resources would be seen as embracing much more than only formal capital. These would include national(ised) natural resources such as land, forests, and mineral resources, as well as human and skills resources, and would mobilise and prioritise public over private investment. Furthermore, from the perspectives of progressive developmental NGOs, trade unions, and other popular organisations, 'public' investment should be located within democratically and transparently negotiated processes, creating more varied, more inclusive, and more accountable and transparent public–public partnerships:

- among governmental financial agencies, such as regional development funds and banks;
- among national parastatal enterprises and institutions and other public funds and trusts; and
- among all such public agencies on the one hand and 'public' co-operatives, worker/employee collectives, and community-based organisations on the other.

Mobilising internal and public development resources in this way would create greater self-reliance, and reduce external dependency, vast capital outflows, and continuing international exploitation. This could help to change the current insertion of African countries into the global economy, and also to change the nature of that economy. But this poses broader questions about the relationship between regionalisation strategies and globalisation.

Keet draws attention to the multilateral constraints on a new regional developmental paradigm, particularly from the IMF, World Bank, the World Trade Organisation (WTO), and bilateral trade arrangements. The IMF and World Bank, for example, argue energetically for 'open regionalism,' allowing all international players equal access to regions. Attempts to create preferential regional trade regimes are depicted as 'discriminating' against international agencies, raising unacceptable 'barriers' and 'market distortions,' and creating self-defeating 'trade diversion.'

This classic liberal-economic approach fails to recognise that:

- what is depicted as being 'trade-diverting' from the point of view of international players can be actively 'trade-creating' for weaker players within their own national economies and regions; and
- conversely, trade liberalisation policies viewed as 'trade-creating' from the point of view of powerful international players may be inimical to production and trade by weaker players in less developed countries and regions.

Key points

- The region should pursue regionalisation strategies located in a different paradigm, as a means of achieving equity, human rights, and human security, within sustainable and substantially self-sustaining development in and among the countries of Southern Africa.
- Governments have a key political role to play in securing mutually acceptable regional arrangements and agreements among sovereign countries.
- 'Market integration' must not be equated or conflated with 'market-driven' integration.
- All government structures in the region have to engage with far wider social layers and popular forces, in order to ensure the discussion and formulation of targeted social and economic development programmes that reflect the real needs of communities.
- Cross-border trade among SADC member states must be proactively regulated; this will require supportive tariff regimes that are selective, transitional, and conditional upon productive performance, and are not perceived as unconditional permanent protection.
- Effective productive capacities are the foundation of effective trade.
- Production should be based on higher levels of local and national processing and greater beneficiation than current, predominantly unprocessed, commodity exports.
- Developmental investment regulations must be introduced for national, regional or international investors, and must be located within an agreed regional financial framework, and accompanied by a joint regional investment code.
- The mobilisation of diverse internal and public development resources would create greater self-reliance, and reduce external dependency, vast capital outflows, and continuing international exploitation.

Furthermore, the 'efficiency' said to accrue from open trade, in the interests of 'consumers', among others, are offset and contradicted by:

- the quantifiable costs of job losses and ever increasing financial outflows that accompany such liberalisation; and
- qualitative costs in terms of lost social-development options, and economic and social transformation.

According to Keet, more effective regional development in Africa hinges on three issues:

- How should regions relate to external economic entities or institutions, including other regional groupings?

- What are the challenges that the current globalised economy presents to alternative regional development strategies?
- Conversely, what are the challenges that regionalisation strategies pose or could pose to globalisation?

Current arguments and proposals for regions revolve around:

- 'selective strategic engagement' with the global economy and global forces from positions of greater collective economic and political strength, in order to improve gains and minimise disadvantages;
- 'strategic repositioning' in relation to the global economy, with a view to contributing to the gradual erosion of the hegemonic global system and the creation of *de facto* processes of incremental 'de-globalisation', both by regions themselves as well as strategic regional groupings of countries of the South;
- the strategic redirection and refocusing of national economic activities within regional groupings, particularly the reduction of international trade, as part of a broader response to the challenges and threats posed by the current global economic system.

Global economic policy reform

In his paper for this project, Rasigan Maharajh further unpacks the implications of market-led globalisation and recommends some reforms of global economic policy, especially in respect of global trade and poverty reduction strategies, debt management, aid for development, and foreign direct investment.

Maharajh asserts that the notion of globalisation provokes diverse responses, and is contested at both the normative and explanatory levels. Views of globalisation can be placed in two main groupings:

The first grouping consists of those who propagate the virtues of globalisation as a panacea for the uneven development of the past five decades. They argue that underdeveloped countries should increasingly immerse themselves in the process of global integration, and reduce the scale and scope of national development initiatives (drawn from Shivji 2005). They suggest that globalisation will extend the positive aspects of 'development', and reduce poverty, inequality, and environmental degradation. These groupings are commonly regarded as proponents of a neoliberal agenda, associated with certain multilateral agencies. The way in which they have redefined the concept of 'development' is also widely criticised.

Opposing this perspective are those who argue that global economic integration has had mainly negative consequences for local political, socioeconomic, and environmental domains. They maintain that the limitations created by supra-national regulations reduce the scope for individual states to act in their own interests, and mute the voices of those directly affected by the consequent accords. Some members of this grouping argue that globalisation is a form of corporate imperialism in terms of which the entire world is commoditised, valorised, and exchanged. Others seek to amplify the voice of the marginalised and excluded as a means of reforming the institutions that are managing the global economic order; these include the World Social Forums, which bring together social movements, NGOs, and CBOs. These forums contrast starkly with the World Economic Forum, which seeks to increase contact between representatives of large corporate conglomerates and government officials.

The effects of globalisation

Maharajh illustrates the effects of globalisation by assessing the outcomes and impacts of this unitary process of economic integration, through rules, routines, and institutions. He pays specific attention to available measurements of foreign direct investment (FDI) and international development assistance.

Many economists claim that FDI benefits national economies, and contributes to economic growth. The Bretton Woods institutions (the World Bank and IMF) generally adhere to this view in their policy advice to developing countries.

African countries have therefore been widely advised to try to attract FDI, notably by liberalising and privatising their economies. In Africa, most FDI is in the extractive sector. In part, FDI was meant to create backward and forward linkages and technology spill-overs, but this did not happen. Instead, African industries compete in a race to the bottom to attract FDI, and very little evidence exists to maintain the argument that FDI is a major driver of growth. FDI does not necessarily flow into the productive sector, and often only comes into play when state-owned enterprises are privatised. Therefore, it is vital for African countries to undertake proper cost-benefit analyses of foreign investment, as well as their projected returns.

Table 2 reflects FDI in SADC member states in 2007.

It shows that SADC is positively attracting FDI, especially with regard to financial flows. However, the accumulation of FDI stock is very uneven, with South Africa hosting more than half of the FDI stock for the region in 2005.

SADC countries are also exporting FDI, albeit in a fundamentally uneven fashion, with South African companies and parastatals being the dominant investors in the region. Table 3 depicts the outward FDI performance of SADC from the same source as Table 2, and in the same currency unit.

The fact that the region itself is investing more than US$40 billion a year is beginning to attract research interest. Most studies are following the largest investor, South Africa. Qualitative

Table 2: FDI in SADC countries (US$m)

	2000		2001		2002		2003		2004		2005	
	Flow	Stock	Flow	Stock	Flow	Stock	Flow	Stock	Flow	Stock	Flow	Stock
Angola	878,50	7 976,97	2 145,50	10 122,47	1 672,10	11 794,57	3 504,70	11 987,50	1 449,20	13 436,70	–23,92	13 412,79
Botswana	57,16	1 826,64	30,68	1 388,50	403,41	854,09	417,99	1 167,21	391,06	982,10	346,12	1 083,52
DRC	23,11	617,25	82,00	699,25	117,00	816,25	158,00	974,25	15,14	989,39	1 344,00	2 333,39
Lesotho	31,46	329,52	28,21	357,74	26,82	384,56	41,85	426,41	53,21	479,62	47,17	526,79
Malawi	26,00	357,70	33,70	490,90	5,90	496,80	3,90	500,70	–0,68	500,02	3,00	503,02
Mauritius	265,64	672,35	–27,68	644,67	32,07	676,74	62,63	739,37	13,89	753,26	23,97	777,23
Mozambique	139,20	1 094,20	255,42	1 349,62	347,25	1 696,87	336,70	2 033,57	244,70	2 278,27	107,85	2 386,12
Namibia	188,25	1 264,52	365,41	750,92	181,71	1 757,43	148,71	3 003,51	226,11	4 046,87	349,09	2 440,28
Seychelles	24,30	537,27	64,70	601,97	47,70	649,67	58,40	708,07	37,45	745,52	82,40	827,92
South Africa	887,90	43 442,27	6 788,70	30 656,52	756,70	29 549,20	733,70	45 592,46	799,20	62 992,63	6 379,40	69 372,03
Swaziland	90,59	536,64	51,36	374,29	90,10	607,00	–61,00	724,00	60,30	928,20	–13,80	814,00
Tanzania	282,00	3 038,30	467,20	3 776,60	429,80	4 206,40	526,80	4 733,20	469,90	5 203,30	473,40	6 028,80
Zambia	121,70	2 359,64	71,70	2 431,34	82,00	2 513,34	172,00	2 685,34	239,00	2 924,34	259,00	3 183,34
Zimbabwe	23,20	1 238,05	3,80	1 241,85	25,90	1 267,75	3,80	1 271,55	8,70	1 280,25	102,80	1 383,05
SADC	3 038,99	65 291,32	10 360,70	54 886,62	4 218,47	57 270,67	6 108,18	76 547,14	4 007,17	97 540,47	9 480,49	105 072,28

Source: UNCTAD database, May 2007.

Table 3: Outward FDI by SADC countries

	2000		2001		2002		2003		2004		2005	
	Flow	Stock	Flow	Stock	Flow	Stock	Flow	Stock	Flow	Stock	Flow	Stock
Angola	20,00	49,04	15,00	64,04	28,70	92,74	23,60	116,34	35,24	151,58	29,18	180,76
Botswana	2,25	516,57	379,67	865,82	42,89	1 023,66	206,06	1 446,65	–38,76	950,10	57,43	791,03
DRC	–1,84	—	0,89	—	–1,88	—	—	—	—	—	—	—
Lesotho	—	1,94	—	1,94	0,10	2,04	0,01	2,05	0,10	2,15	—	2,15
Malawi	—	8,40	4,70	13,10	—	13,10	—	13,10	—	13,10	—	13,10
Mauritius	12,95	132,29	2,87	135,16	8,70	143,86	–6,02	137,84	31,79	169,63	47,53	217,16
Mozambique	–0,20	1,67	–0,42	1,25	0,42	1,67	0,01	1,68	0,01	1,69	—	1,69
Namibia	2,77	44,53	–12,78	15,04	–5,42	26,02	–10,44	82,98	–22,32	98,96	–12,26	68,30
Seychelles	7,70	136,49	8,50	144,99	8,70	153,69	8,20	161,89	7,60	169,49	7,50	176,99
South Africa	270,80	32 318,63	–3 180,10	17 630,31	–398,90	21 934,76	565,10	27 112,16	1 352,10	38 435,47	67,90	38 503,37
Swaziland	16,56	94,89	–18,47	46,63	–0,10	64,00	–10,50	95,10	1,20	109,70	21,40	72,60
Tanzania	—	—	—	—	—	—	—	—	—	—	—	—
Zambia	—	—	—	—	—	—	—	—	—	—	—	—
Zimbabwe	7,50	233,60	4,10	237,70	3,20	240,90	0,20	241,10	0,00	241,10	1,10	242,20
SADC	338,49	33 538,06	–2 796,04	19 155,99	–313,60	23 696,44	776,22	29 410,90	1 366,96	40 342,98	219,78	40 269,36

Source: UNCTAD database, accessed in May 2007.

appraisals of this trend will, over time, illuminate the degree to which such investments are contained within the region, or whether they are contributing to the migration of the stock of capital further abroad.

By contrast, notes Maharajh, development aid is provided by more developed countries to support economic or social development in developing countries. This kind of support is usually distinguished from humanitarian aid because of its time frames – development aid is aimed at alleviating poverty in the long term rather than easing suffering in the short term.

ActionAid has estimated that, in 2003, about 60 per cent of all bilateral donor assistance was 'phantom aid' – that is, aid that 'never materialises for poor countries, but is instead diverted for other purposes within the aid system' (Greenhill & Watt 2006).

A recent UNCTAD report (2006) notes that the international community, after retreating in the 1990s, has recovered its faith in official development assistance (ODA), with a promise to double aid to Africa by 2015. According to the report, total aid to Africa since 1960 has totalled about US$580 billion.

Table 4 shows significant variations in the various components over time. Over the past four years, the total average has more than doubled over that for the previous four decades. While food aid has more than halved during the past 30 years, emergency and distress relief is now nearly four times that received in the preceding decade, and the most significant component of bilateral aid is grants for debt write-downs. Bilateral loans are now smaller on average than in earlier decades, and the imputed value of multilateral loans is just under twice the average for the four decades as a whole.

Along with the traditional donor countries of the OECD, new donors are entering the scene. These including some of the countries of the South, including China, but also Saudi Arabia and Venezuela. Total aid from these countries is unknown, but it totals at least several billion US dollars a year, and is growing rapidly. Private donors are growing in importance – the Bill and Melinda Gates Foundation alone will soon spend about US$3 billion a year on development projects, which is more than German bilateral ODA for technical co-operation.

Furthermore, policies promoting global trade and integration in Africa has mainly focused on the liberalisation of trade. Maharajh unpacks the various components of trade liberalisation, and the promotion of 'market-friendly' policies.

He asserts that it is this fundamentalist faith in the ideology of 'free markets' that has produced, among other rigidities, the 'Washington Consensus' – a package of measures which promised that trade liberalisation and FDI would engender economic growth, but acknowledged that the search for competitive advantages would inevitably lead to inequality. In this paradigm, competitiveness results from gains in productivity, which, narrowly defined, merely implies greater output per unit of labour. The Washington

Table 4: Net official aid flows to Africa from all donors by type of flow, 1960–2004 ($US million)[5]

	Average				Average: Share by components (%)				Volatility index			
	1960–2004	1980–1989	1990–1999	2000–2004	1960–2004	1980–1989	1990–1999	2000–2004	1960–2004	1980–1989	1990–1999	2000–2004
Official development assistance	14 268	16 268	26 158	28 776	100	100	100	100	0,77	0,2	0,15	0,21
Bilateral grants and grant-like flows, of which:	8 878	8 917	16 938	19 505	62,2	54,8	64,8	67,8	0,82	0,27	0,13	0,28
• Technical co-operation	2 932	3 646	5 393	5 160	20,5	22,4	20,6	17,9	0,72	0,22	0,1	0,1
• Developmental food aid	790	1 146	736	491	5,5	7	2,8	1,7	0,47	0,16	0,53	0,09
• Emergency & distress relief	1 046	—	493	1 930	7,3	1,9	6,7	0,96	—	0,79	0,55	—
• Debt forgiveness (grants)	2 143	136	1 682	3 868	15	0,8	6,4	13,4	0,82	0,85	0,45	0,53
Bilateral loans	2 631	4 082	4 415	2 455	18,4	25,1	16,9	8,5	0,71	0,18	0,3	0,23
Imputed multilateral loans	3 879	3 270	4 805	6 816	27,2	20,1	18,4	23,7	0,52	0,31	0,2	0,15

Consensus suggested that poverty resulting from liberalisation was to be addressed directly by targeted programmes, aimed at ensuring social stability, and prescribed the deflection of social unrest and instability as a necessary condition for a favourable investment climate.

This package of measures, based on the premise of economic growth and trickle-down relief from poverty, was packaged as Structural Adjustment Programmes (SAPs). However, the 'neoliberal project' espoused by the Washington Consensus, and facilitated by the WTO, World Bank, and IMF, has been increasingly sharply criticised. Among others, Maharajh refers to a famous lecture by the economist Dani Rodrik entitled 'Rethinking growth policies in the developing world' (2004), in which the latter assessed the application of this formulaic prescription, and argued that the reforms of the 1980s and 1990s had produced disappointing results. While most successful countries had adhered to some orthodox economic policies, they had actually implemented heterodox policies to achieve economic growth. His key finding was that policies appropriate to a particular situation could not be inferred from these general principles, and that policy diversity should be regarded as desirable.

On the other hand, Maharajh notes, the development of information and communication systems has enabled the rapid growth and all-encompassing nature of the current phase of economic globalisation. Through the creation of this infrastructure, the natural barriers of time and space have been vastly reduced. Through this global communication network, the costs of moving information have fallen dramatically. This has facilitated the mobility of commodities, enterprises, and money, while people themselves remain constrained by national borders.

These lower prices, increases in technological uptake, and expansion of global connectivity have not been evenly spread. While Africa contributes to the global frenzy of the diffusion and integration of innovation and trade, its participation has been mediated by an inherited and accumulated set of structural, cyclical, and regulatory constraints.

On aggregate, Africa has not performed as well as other less advanced economies, such as the newly industrialised countries in East Asia and some parts of South America. On the whole, Africa in general, and Southern Africa in particular, are tasked with redressing accumulated marginalisation and economic exclusion, which spans centuries.

Maharajh makes the following recommendations for global economic policy reform:

Global trade, diversification in production, poverty reduction

Maharajh refers to Martin Khor's finding that global trade policy as determined by the World Bank and IMF are bad for African markets. These policies are based on the view that imports are better for consumer welfare, and that cheap imports will make local markets more efficient. Instead, according to Khor and numerous other researchers, such policy prescriptions have helped to destroy African economies. They refuse to acknowledge the fundamental contradiction that consumers can only benefit from cheaper goods if they have the money to pay for them. Furthermore, cheap imports have negative impacts on infant industries. An important policy consideration is that jobs and income are more important. Accordingly, Khor recommends that countries should use tariffs to protect themselves against import surges, and that this could even be done within the WTO in terms of GATT article 18, which allows governments to raise tariffs above the bound rate. Khor emphasises that this approach is even more flexible than the World Bank and IMF model.

The process of diversification in Africa's systems of production has been slow and volatile, and has been negatively influenced by the current commodity boom. The search for new stocks of primary resources, especially oil, has significantly induced movement away from the productive sector. Many reports have identified key constraints on diversification as including problems of ill-advised and badly sequenced industrial policies; poor and decaying infrastructure that raises production costs; high sovereign risk due, especially, to political instability, which discourages investment in new activities; and rigid macroeconomic frameworks that limit the possibility of demand-led growth strategies.

Diversification plays a key role in helping countries, not only to achieve higher rates of economic growth, but also to sustain these over a long period. Indeed, it is a means of hedging against exogenous shocks, arising, among other things, from the vagaries of international commodity markets. Diversification also plays an important role in increasing productivity and maximising the impact of growth on employment creation, a key mechanism for raising standards of living and reducing poverty.

African countries need to design diversification policies for Africa at three levels: macroeconomic policies to support diversification, trade and sectoral policies to deepen diversification, and strengthening institutions to enhance diversification efforts. Flexible macroeconomic policies that, especially, allow countries to achieve high levels of public investment are key to a successful diversification agenda.

Policies are also required to facilitate the development of enterprises in the productive sector. These hold the promise of reducing poverty in a sustainable manner. There is a need for an enabling business environment, including good governance, and sound legal and regulatory mechanisms that foster transparency and the creation of new enterprises. The latter is vital for providing productive employment.

South–South co-operation in trade, finance, and technology development needs to be supported and strengthened. It is in this context that developing common science and technology systems will help facilitate technology transfer and upgrading. Increasing financing for research and development is essential to encourage innovation, and to increase the contribution of productivity in economic growth. This would then enable these countries to reap maximum benefits from their diversification efforts.

Debt management

The conditionalities for debt repayment have impacted negatively on Africa's development, and African governments should try to avoid taking World Bank and IMF loans, with their accompanying conditionalities. The recent Multilateral Debt Relief Initiative (MDRI) could lead to the up-front cancellation of the debt of some 40 countries, many of them African; this would be very beneficial as it would give them far greater policy space and autonomy. National governments should avoid incurring further unsustainable debts from the World Bank and IMF.

Mobilising finances for development

The experiences of most developing countries that have significantly improved the quality of life of their citizens show that financial resources for development should be mobilised in a holistic manner. This is vital for achieving internationally agreed development goals, including the MDGs. More should be done to mobilise domestic financial resources. In tandem with this, steps should be taken to improve the capacities of states to generate revenue; ensure proper stewardship over development finance institutions; and devise innovative sources for development finance.

Tax collection is weak in many SADC member states. This needs urgent attention if countries are to compensate for their current dependency on trade taxes, and reduce capital flight. Much can be learned from successful reforms of government revenue systems, both globally and locally.

Increasing frustration with traditional multilateral financing options has led some governments to begin thinking about alternative ways of meeting their financing needs while breaking their dependence on capital, and influence, from the United States and Europe.

Venezuela and Argentina recently launched the Banco del Sur (Bank of the South), pledging more than US$1 billion to get the institution up and running. Although the details are currently being worked out (a 90-day deadline has been established to define some basic operating rules) several other countries have agreed to join: Brazil, Bolivia, Ecuador, and Paraguay will also be founding members. Additionally, Nicaragua, several Caribbean countries, and even a few Asian nations have expressed interest in participating in the new multilateral institution.

In a clear departure from the undemocratic and paternalistic governance structure of the World Bank, no single country can own the Bank of the South, or determine or veto appointments. Although this has not been fully worked out, voting power will be based on financial need rather than monetary contribution or political weight.

A single and effective development finance institution for the region will be very advantageous. Such a body could provide a single entry point to the various development assistance schemes confronting individual countries, and could serve as the custodian of developmental experiences and planning competencies. Such a regional effort would reduce the learning costs and risks associated with major infrastructural investments.

Mobilising knowledge resources for development

Good governance, based on democratic accountability and participation, combined with the progressive expansion of productive enterprises, will provide the means to ensure that abovementioned institutional arrangements are piloted and are able to succeed. All of these forward-looking objectives require increasingly sophisticated technical capacities, capabilities, and competencies. Over the past five decades, various organisations have been created to address Southern Africa's problems, albeit in an isolated and fragmented manner. Today, instruments such as the African Peer Review Mechanism (APRM) are making it possible to build a recovery programme that draws on the collective experiences of agencies beyond the narrow confines of government. This would enable the AU and SADC to be provided with local technical support, and bolster their legitimacy. The main aim of such a knowledge production and brokerage function should be to encourage evidence-based policy formulation. Ancillary tasks include ensuring the training of skilled people, and a radical break from command-and-control rituals of power. This knowledge and technical support facility must also engender collaboration and co-operation, rather than narrow competition, among sub-critical autonomous and disparate institutions.

Key points

- Very little evidence exists to maintain the argument that FDI is a major driver of economic growth.
- Qualitative analyses are needed to establish whether FDI remains in the region, or ultimately contributes to the migration of capital abroad.
- Food aid has more than halved over the past 30 years; emergency and distress relief is now nearly four times that received in the preceding decade; and the most significant component of bilateral aid is grants for debt write-downs.
- The trade policies prescribed set by World Bank and IMF impinges on local markets – cheap imports have negative impacts on infant industries.
- Jobs and income are more important than cheap consumer goods, and countries should consider using tariffs to protect themselves against import surges.
- African countries need to design diversification policies for Africa at three levels: macroeconomic policies to support diversification, trade and sectoral policies to deepen diversification, and strengthening institutions to enhance diversification efforts.
- Diversification also plays an important role in increasing productivity and maximising the impact of growth on employment creation, a key mechanism for raising standards of living and reducing poverty.
- National governments should avoid accepting further loans from the World Bank and IMF.
- A single and effective development finance institution should be created for the region, similar to the Banco del Sur (Bank of the South) in South America.
- Knowledge production is key to the progressive expansion of productive resources.

Endnotes

1 This includes the improved distribution of oil revenue and land; economic infrastructure construction; progressive social policies 'oriented to a humanist society based on full respect for citizenship rights', i.e. education and health care for all, decent employment, land to those who work on it, food security, and a 'genuinely leading role played by the people within the national political dynamics' (President Hugo Chavez, 2004, cited in Gibbs 2006:270).

2 At the same time, there is a simultaneous parallel strategy, promoted mainly by the United States and the EU, to direct SADC away from even this limited 'economic growth' function, and turn it into a 'stabilisation and security' instrument. This is on the basis of the persuasive argument that no development is possible without regional stability, and the questionable claim that foreign investment 'will not come to the region without such guarantees of security and stability'.

3 Such regional complementarities and co-ordinations would have to be very different to the cross-regional 'chains of production' referred to in conventional economics, which could resemble in

form and effect the transnational ‘chains of production’ being created across the world by global corporations.

4 Drawn from Shivji 2005.

5 Emergency food aid is included with developmental food aid up to and including 1995. Technical co-operation comprises both free-standing and investment-related developmental food aid (1975–2004); emergency and distress relief (1992–2004); debt forgiveness (grants) (1988–2004); and imputed multilateral flows (1973–2004), that is, making allowance for contributions through multilateral organisations, calculated using the geographical distribution of multilateral disbursements for the year of reference.

6 At a special high-level meeting with the Bretton Woods institutions, the WTO and UNCTAD on 24 April 2006.

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Part three

Towards a new policy framework

PART THREE sets out the policy recommendations emanating from the papers and discussions. They call for a rebuilding of the national project in the region, with the state playing a central role in a developmental agenda capable of actively addressing poverty in the region

Some recommendations

Participants in the workshop agreed that, under present social circumstances, and predominately market-driven economic approach, current initiatives to address poverty in Southern Africa will not result in the Millennium Development Goals being met by 2015. A change in paradigm is required in which the state plays a central role in shaping social and economic policy, and pursues an active developmental agenda aimed at alleviating and ultimately eradicating poverty. Furthermore governments need to take into account the looming environmental crisis facing the region, especially the impact of climate change, which will hit poor people the hardest as they have fewer resources to help them cope with the effects. Therefore, governments need to develop strategies for achieving equatible development, realising human rights, and securing their populations, in a context of sustainable and substantially self-sustaining development, both national and regional. This can be achieved when a progressive state plays an active role in the economy, and when economic goals are subordinated to social and political objectives.

Based on the workshop proceedings, we conclude that the following factors are central to alleviating and eradicating poverty in the region:

Adopting a broader conceptualisation of poverty

Given that poverty is multidimensional, SADC governments should adopt a broader and more holistic approach to addressing poverty, including providing better education, health care, and other social services, as well as improving access to productive resources (land, credit, and agricultural inputs) and employment.

Governments need to move away from money-metric measures of poverty, and the strategies which they imply. The foregoing analysis clearly illustrates that the way in which poverty is defined and measured plays a major role in determining policy, and also its outcomes.

If poverty measures are confined to money-metrics, the outcomes are limited to correcting the income status of the individual, for example, job creation. However, people may have poorly paid and low-skilled jobs, but no access to education, potable water, or health care. Similarly, pro-poor services and social welfare programmes may not have the desired effect because people do not automaticlaly have access to these services. Therefore, governments has to ensure universal rights to services as well as universal access to them, especially in respect of health and education.

In general, non-money metric measures of poverty should be adopted. When poverty is defined as a lack of assets or capabilities, the entire set of policy options changes, because policy-makers then need to examine how to improve the access of the poor to assets that will protect them against market or social shocks as well as developing their skills and capacities for employment.

Strengthening the political influence of the poor

Governments need to recognise the interdependence of the wealthy and poor, which is central to strategies for addressing the needs of the latter. For example, poverty reduction strategies in Malaysia, Taiwan, South Korea, and Thailand were related to social conditions and based on the understanding that, as long as widespread poverty persisted, it would compromise national security. So the perceptions, insecurities, fears, and enlightened self-interest of the elite helped to create the political will needed to address poverty, as well as the evolution of progressive social policy.

Furthermore, the poor must be involved in national and regional decision-making processes. This requires empowerment and the activation of social forces aimed at strengthening the political influence of the poor, creating a culture of entitlement in respect of basic socioeconomic rights and employment, and strengthening people's ability to hold governments accountable. South America provides valuable lessons in how civil society can be organised to effectively influence government policy and to hold governments accountable for their policies and actions.

Strengthening the capacity of the state and its institutions

In countries with high levels of inequality the state has no choice other than to embark on an active developmental agenda. It has to concede to these underdeveloped constituencies, or face social instability. Crucially, a developmental state must develop the capacity and power to implement its economic policies.

Once the state has established a developmental vision, strategy, and an appropriate macroeconomic policy for advancing its social goals, it needs to create the apparatus to realise this vision. This requires the active participation of parliamentarians in making policies and laws; an effective public administration; and the creation of effective provincial and local governments, which are at the coalface of poverty, and play – or should play – a key role in delivery.

Khan quotes Leftwich as stating that 'the distinguishing feature of developmental states is that their political purposes and institutional structures . . . [are] developmentally driven, while their developmental objectives . . . [are] politically driven'. Consequently, institutional reform in these countries proceeded in parallel with a political and institutional redistribution of power, thus building productive coalitions that supported inclusive and broad-based economic growth.

Resource distribution and building productive capacity

Redistributing wealth and improving productivity are essential to meeting the socioeconomic needs of and creating employment opportunities for the poor. The state should have the right and capacity to claim some of the proceeds of economic activity from well-functioning sectors of the economy for reallocation to those sectors of the economy and society that are not functioning effectively and where needs are not fulfilled; for example, to tax its working and wealthy citizens and firms, and redistribute the proceeds for social welfare and developmental purposes. Other redistributive elements include land reform, the stimulation of investment in underinvested parts of the economy, and building new entrepreneurial capacity.

In the most recent development in aid conditionalities, aid is being linked to 'good governance'. In many developing countries, creating the institutions required for 'good governance' are expensive, and a drain on scarce resources. An alternative approach, the literature suggests, is a reform agenda that prioritises 'good enough' (or developmental-type) governance. Instead of a 'one-size-fits-all' approach, attention should be paid to building institutions suited to the specific goals they are meant to achieve.

However, this does not mean that autocratic or undemocratic approaches should be adopted. Thus Khan points out that the developmental states emerging in Latin America are attempting to 'reconnect' politics and economics through 'building participatory, democratic processes from the community level up and building redistributive mechanisms into policy-making from the state down'. In Venezuela, for example, President Hugo Chavez has introduced a redistributive developmental model that includes the improved distribution of oil revenue and land; the development of new economic infrastructure; and progressive social policies oriented to a humanist society based on respect for human rights, including education and health care for all; high levels of employment; land to those who work on it, food security; and a 'genuinely leading role played by the people within the national political dynamics' (Khan 2006).

Furthermore, countries need to adopt industrial policies that will enable them to become more self-reliant, and support domestic needs and markets as well as export to the region and beyond. This requires that the state creates strategies and incentives for developing domestic productive capacity and a domestic manufacturing base. Economic diversification plays a key role in helping countries to achieve higher rates of economic growth, and to sustain them over a long period. Also, countries in the region should seek to identify and strengthen regional complementarities in their national production profiles, thus changing existing wasteful inequitable production patterns, and ensuring the wider distribution of value-added and employment-creating production across the region.

Supporting and developing small, medium and micro enterprises (SMMEs) is also vital. The informal sector has the potential to significantly increase economic activity, create jobs, and alleviate poverty, and regional governments should therefore take steps to help it develop.

Reducing external and donor finance dependence

African governments should reduce their dependence on external finance, and mobilise domestic resources instead. Wealthier African states should invest in their poorer counterparts on the continent; for example, South African pension funds are a major source of investment capital.

African governments should consider establishing a new development bank along the lines of the Banco del Sur (Bank of the South) in South America. As noted earlier, Venezuela and Argentina have each pledged more than $1 billion to establish this new institution, and other South American countries are likely to follow suit. In a clear departure from the undemocratic and paternalistic governance structure of the World Bank, no single country will own the bank, or have the sole right to make appointments. Although not fully defined, voting power will be based on financial need rather than monetary contribution or political weight.

Governments that have paid off their debt should use this window of opportunity to create a new developmental agenda, and should avoid accessing further loans from the World Bank and IMF.

Regional co-operation, co-ordination and harmonisation

Effective regional co-operation is vital for addressing regional poverty, and governments have a key role to play in securing this. States should evolve regional rules, regulation, norms and standards for governing cross-border systems and relations, including finances and banking, safety and security, labour regulations and migration, human rights, health, and environmental issues. They should also create an effective framework for regulating the movement of people in the region, which will not only address human rights issues but also effectively exploit and harness regional skills.

Governments should devise regional strategies for:

- 'Selective strategic engagement' with the global economy and global economic forces from positions of greater collective economic and political strength, in order to improve gains and minimise disadvantages;
- 'Strategic repositioning' in respect of the global economy, with a view to contributing towards the gradual erosion of the global hegemonic system, and the creation of *de facto* processes of incremental 'de-globalisation' through regional and interregional alternatives within and between strategic regional groupings in the global South;
- Strategic redirection and refocusing of national economic activities within regional groupings, and even at very local levels and particularly the reduction of international trade, as part of a broader systemic response to the challenges and planetary threats posed by the currently dominant global economic system.

Changes in the global trade agenda

Cross-border trade in the region should be actively regulated. This requires supportive tariff regimes that have to be selective, transitional, and conditional upon productive performance, and not perceived as unconditional permanent protection. Trade facilitation also requires measures to deal with inadequate infrastructures, inefficient customs procedures, and other bureaucratic impediments.

Participants strongly recommended that regional governments should slow down the pace of economic liberalisation in order to develop a broader social engagement with the process of development, rebuild and redirect their agricultural and manufacturing industries, and reclaim the policy space to evolve and implement new strategies for achieving higher levels of sustainable growth and development in a regional framework. Governments should co-operate in ensuring that they deal in a concerted and unified way with external agencies, including UN agencies, which speak for or act on behalf of developing countries.

African governments also need to improve their collaboration with one another, as well as with and through their regional organisations, in dealing with external entities, including established powers such as the EU and United States, new powers such as China and India, and international institutions such as the World Bank, IMF and WTO.

Sustainable use of environment and natural resources

The current forms and patterns of economic production and growth, requiring the ever increasing consumption of global resources, is fundamentally unsustainable, creating massive and growing social and environmental stresses and pressures, and posing epochal threats to the entire planetary ecological system and, ultimately, human survival. Environmental degradation is one of the biggest factors threatening to worsen poverty in the region.

The countries of the region need to collaborate on the sharing and conservation of water, energy, and other natural resources, as well as issues relating to climate change. This should include devising joint strategies for the sustainable use of these resources, designing appropriate environmental management systems, and developing appropriate technology. Given mounting climate change and oil depletion, the region particularly needs to regulate domestic, regional, and international investments in the energy sector and others with environmental and climatic implications, and should locate this within an agreed financial framework and investment code.

Conclusion

This study demonstrates vividly that the fates of the countries in the region are closely interconnected. High levels of poverty and inequality continue to threaten the futures of all the countries in the region, and need to be addressed in a concerted way. Failures of governance, employment, and human rights in any one country in the region will inevitably spill over on to others. Conversely, no country in the region can hope, in the long run, to achieve and maintain higher standards of prosperity and human welfare in isolation of the others.

Planners and policy-makers in the region need to rethink their developmental paradigms. States need to play a more active role in development. They should also reclaim the policy space to reduce their dependence on foreign financial and other institutions, change the way in which they engage with the global economy, and adapt developmental strategies to their domestic economies and regional needs.

In order to do so, they need to collaborate more effectively, and harmonise their policies and strategies, both in dealing with one another directly, and via their regional institutions. This will also be vital for addressing growing environmental challenges, notably those arising from climate change, and sharing increasingly scarce natural resources. Again, these challenges are essentially regional in nature, and need to be adressed in concert.

The states of the region also face major governance challenges. Popular participation can best be achieved via decentralised government; however, decentralised governments are weaker than centralised ones, and less able to mobilise the resources needed to introduce far-reaching social and economic change. Thus one effect of decentralising government down to the local level is to entrench, rather than eliminate, existing broader social imbalances and inequalities. This presents policy-makers, analysts and planners in the region with a major challenge: to evolve models of democratic governance appropriate to the region and its circumstances which will enable states to become active players in development, but sustain high levels of popular participation – and democratic accountability – at the same time.

Civil society has a vital role to play in this as well as many other aspects of regional development. States should regard civil society as a partner in development rather than an adversary, and find ways of involving civil society in government planning and decision-making as well as implementation. This is one way of achieving high levels of popular participation in an empowered state.

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