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Poverty and Development: Transforming Africa beyond the MDGs

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Africa is often seen as a byword for poverty and underdevelopment. The conventional belief is that unlike other poor regions of the world, it has made little or no progress in catching up with industrialized countries. Surely, a close look at poverty statistics tells a more complex story. Even though the proportion of poor people is higher in Africa than anywhere else in the globe, it is in South Asia that most poor people live (UNDESA, 2010). Recent data also show that poverty is not only falling in Africa, the rate at which it falls has roughly been the same as in South Asia since the mid-1990s, even though the latter has experienced higher growth (Fosu, 2011). Some scholars even contend that poverty is falling so fast in Africa that it can meet the MDG target of halving poverty before 2015 (Sala-i-Martin and Pinkovskiy, 2010).

The continent surely stagnated in the 1980s, but growth picked up in the mid-1990s –thanks to improvements in the global economy and commodity prices. Indeed, Africa's growth rate is higher today than Europe's and analysts, including at the World Bank and OECD, regard the continent as a contributor to global growth in a period when the key centres of the world economy are experiencing decline (OECD, 2011). Besides, when one disaggregates regional poverty and growth data to the country level, it is clear that some countries are not only among the fastest growing economies in the world, but their poverty rates are comparable to other emerging economies.

However, despite this optimistic scenario, there is consensus that most of the countries that are unlikely to meet the MDG target on poverty reduction are in Africa. Furthermore, the measure used by the international development community to track global poverty –- 1.25 dollars a day—hides the real extent of deprivation in Africa and elsewhere. Countries may be declared as poverty-free or making progress in meeting the MDG target when in actual fact many of their citizens may be mired in poverty along multiple dimensions (UNDESA, 2010). It is also not at all clear whether current levels and patterns of growth are sustainable and can actually drive down poverty figures to levels that have been attained by industrialized and successful developmental states where poverty is now measured in relative, not absolute, terms.

This paper takes a critical look at Africa's development prospect beyond the MDGs. It focuses on four issues that can help throw light on how to transform African economies and societies that can make significant and sustained dents into poverty. The first is the need for a growth strategy that pays sufficient attention to productive capacities, employment generation and income levels. The second examines the importance of domestic resource mobilization that can stimulate growth and welfare provision, encourage effective social contracts between leaders and citizens, and wean the continent from aid dependence and its attendant loss of autonomy in policymaking. The third examines the need to rebuild and expand human capital in its various forms through comprehensive social policies. And the fourth discusses the political drivers for transformation. The next section first discusses the MDG framework. Subsequent sections address the four issues raised above. The last section concludes.

The potential and limits of the MDGs

The Millennium Development Goals (MDGs) focus on alleviating hunger and poverty, promoting universal primary education, reducing maternal and child mortality, advancing gender equality and easing the burden of major global diseases. These are laudable goals that transcend simple dollar a day income metrics in tackling deprivation and vulnerability. They have been useful in mobilizing the world community to focus development policy on the plight of the poor; and progress has been significant in some areas—particularly in basic education. Net primary school enrolment in Africa rose from 58% in 1999 to 76% in 2008. In health, deaths of children under five have declined worldwide, although the progress in Africa is slower. 34 of the 36 countries in which under-five mortality rates still exceed 100 per 1,000 are in Africa. Since 1990, the percentage of births attended by skilled personnel has improved overall, from 53 per cent in 1990 to 63 per cent in 2008, although in Africa more than half of all births are still unattended. Increased access to antiretroviral drugs and improved knowledge about preventing the spread of HIV has meant that, worldwide, the numbers of new HIV infections and AIDS deaths have peaked; there has also been a sharp increase in the use of bed nets to protect people from malaria—this rose from 2 percent in 2000 to 22 percent in 2008 (UNRISD 2012; United Nations 2010a; Africa Renewal 2010).

However, a number of issues that are fundamental to development have been ignored. These include productive employment; redistributive policies, especially in a context of growing inequalities within and between countries; the constraints of conventional macroeconomic policies on growth; the political and social relations that structure power and exclusion; and the mechanisms required to achieve the MDG goals individually and exploiting the synergies between them.

Part of the reason for the limited vision of development is that the MDGs are driven largely by the donor community. The MDGs can be seen as a bargain donors struck with poor countries for increased aid, which had experienced a downward trend in much of the 1980s and 1990s. Indeed, MDG 8 on financing strategies is largely about global partnerships or getting donors to deliver on aid, trade, investment, technology and medicines, and is completely silent on domestic resource mobilization (United Nations 2010). For donors, the MDGs provide an opportunity to respond to the critics of aid who are either weary of aid or insist on aid delivering clear results. Not surprisingly, the MDGs concentrate largely on quick gains on the "social" side of the development challenge and ignore the more long-term and structural side of "production" dynamics. It is easy to demonstrate and win public approval for how many people are in school or receiving treatment for basic illnesses than to argue that roads and bridges have been built, electricity has been provided, or farmers' access to good lands, credit and markets has improved.

In the MDG bargaining regime, poor countries that receive aid need to channel more resources towards MDG-preferred social sectors. This kind of bargain has led to more intensive donor involvement in the policy making systems of African countries. In Mozambique, for instance, a group of 19 donors who provide general budget support to the government, meets regularly with the government to discuss social performance, which includes targets on universal primary education, basic health services and HIV/AIDS (de Renzio and Hanlon 2008; UNRISD 2010). Not surprisingly, Development Assistance Countries' (DAC) aid allocation on infrastructure and the productive sectors (including industry, agriculture, forestry and fishing) has declined; and aid expenditure on social sectors and governance has risen. Aid for infrastructure was roughly constant at between 20 per cent and 30 per cent of total aid in the 1980s and early to mid-1990s. However, by the late 1990s, only half of this amount was spent on infrastructure (Lavers, 2012; UNRISD 2010).

One of the effects of donor influence in driving the MDGs is that countries that receive aid need not worry about inequalities and adoption of redistributive policies through progressive taxation. Since donors would provide most of the funds, governments do not need to strike bargains with tax payers and confront the rich. What is important is absolute poverty; and if it is falling, governments may ignore what happens at the other end of the income distribution. It is instructive to note that the divorce of poverty and inequality enjoyed broad support among some economists in the 1990s who argued that high growth rates were sufficient to alleviate poverty, especially if income distribution remained unchanged (Dollar and Kraay, 2002). From this perspective, redistributive strategies may affect efficiency and ultimately growth itself. And yet, income inequality in Africa remains higher than in most other regions, while gender, ethnic and regional inequalities across a number of social indicators persist. There is also evidence that African countries with lower levels of inequality, such as Ethiopia, have achieved faster reductions in poverty than highly unequal ones (Fosu, 2011), and that inequality acts as a serious drawback in improving the lives of the poor in such strong economies as South Africa and Botswana.

Transforming African economies and societies for effective poverty reduction requires a focus on both the "productive" and "social" sectors and exploiting the synergies between them. A two-track approach will ensure that imperfections in one sector are corrected by activities in the other sector. A disproportionate allocation of resources to the social sector may harm the development of productive capacity and over time make it difficult to finance social activities. Similarly, if governments allocate resources predominantly to the productive sectors, the productivity gains associated with investments in social policies, especially education and health, will be missed.

Employment-generating growth

Even though the MDGs are silent on the macroeconomic policy framework that is required to achieve the targets, the Poverty Reduction and Strategy Papers (PRSPs) have largely been seen by the key multilateral and bilateral donors as providing that framework. The PRSPs lay out the economic and social policies that governments in poor countries that need aid should pursue to achieve growth and reduce poverty. They share a strong lineage with the structural adjustment policies of the 1980s, which sought to correct the macroeconomic imbalances of crisis-affected countries. The deflationary and social consequences of the structural adjustment policies galvanized donors, in 1996, to launch the Heavily Indebted Poor Countries (HIPC) initiative, which focuses on reducing countries' debts while helping to spur growth and reduce poverty.

Through this process, the PRSPs emerged as a framework that will channel resources that are freed up by debt relief to poverty reduction. The IMF's Poverty Reduction and Growth Facility (PRGF), established in 1999, subsequently became the key instrument for providing loans. The PRGF was expected to support the PRSP goals of growth, poverty reduction and country ownership. In practice, however, it has remained narrowly focused on achieving fiscal stability; and it often pre-determines the macro-economic frameworks and low inflation targets of the PRSPs (Gottschalk, 2012).

One study (Gottschalk, 2012) of inflation rates of 21 African countries with PRSPs between the 1980s and 2000s finds that although inflation was still relatively high for many countries in the 1980s, by 2000-2005 inflation rates were much lower for most countries. Despite this, almost all countries continued to set very low inflation targets in their PRSPs. The study reveals that only a few countries' monetary policies had objectives other than price stability. It is crucial to add here that the excessive focus on inflation targets or tight spending, along with privatization and liberalization, represents a particular approach to economic policy making in which employment is regarded as a byproduct of growth that does not require specific policies and can be achieved when markets are given free reign in resource allocation. Although the PRSPs' fiscal frameworks tend to be pro-poor because of the reorientation of aid policy towards basic services, they have not been pro-growth, especially in terms of infrastructure investment and capacity expansion in agriculture and industry.

Transforming African economies needs sustained growth and structural change that create jobs and improved earnings for the vast majority of people. Without growth that delivers jobs, it will even be difficult to achieve most of the MDGs. Employment represents an important route through which income growth can be widely shared. If people have adequately remunerated jobs, they can grow out of poverty, subscribe to social insurance schemes that enhance wellbeing, and improve their educational and health status. In short, growth with jobs can have strong multiplier effects on various MDG targets and over time result in major transformation of economies and societies.

Following Africa's economic contraction of the 1980s and 1990s, growth picked up from 2000 through 2007, thanks to a boom in commodity prices and improvements in the world economy.

This helped many countries, especially Ethiopia, Ghana, Mali and Senegal, to reduce poverty. But even for these countries, poverty remains high and growth has not transformed their economies or delivered sufficient amounts of decent jobs. Indeed, except for mineral rich economies like Equatorial Guinea, Angola and Mauritania that have posted double digit growth rates, Africa's average growth rate (about 5.5%) has not reached the scale attained by emerging economies that helped put their economies on a trajectory of rapid poverty reduction and structural change. Much of the growth is still dependent on good prices for commodities, weather and foreign aid.

It is crucial to understand how poverty was eliminated historically in now developed countries. In the world's high-income countries, economic growth fuelled a shift from agriculture to industry and from industry to services, as well as a shift from self employment to wage employment. As labour and capital left agriculture for more dynamic sectors, average productivity in the economy increased, leading to more demand for industrial goods and services. Productivity and earnings in agriculture also improved because urban industrial producers had to be fed by a declining agricultural work force (UNRISD 2010). This kind of structural change was repeated in East Asia and is now being followed by China and South East Asian countries. East Asian countries prioritized economic growth and established a strong state structure to influence investment decisions and adoption of labour-absorbing industrial strategies. Credit, investments, entry and exit of firms in specific sectors, and pricing were coordinated to regulate competition and facilitate technological upgrading and industrial restructuring. They invested heavily in education, training and research, leading to a deepening of skills across sectors and income groups; and carried out land reform, which raised productivity and income levels in the rural sector. And they combined selective import substitution and export-led growth through well-managed industrial policies (Wade 2004; Chang 2003). Although the levels of skill formation, domestic savings, and state capacities are much lower in South East Asian countries than those in the East Asian developmental states, economic transformation in the former region is also unmistakable. In Malaysia, manufacturing employment expanded rapidly—from 7 per cent in the 1960s to about 28 per cent in 2000. Whereas 55 per cent of Malaysians earned a living from agriculture in the 1960s, this share fell to 16 per cent by 2000. Poverty fell from about 50 per cent in 1970 to less than 6 per cent in 2004 (UNRISD 2010; Khoo, 2012).

However, Africa has not been able to follow a similar course of structural change. Instead, industrialization in much of the continent has been stunted; productivity in agriculture and services has been low; and for countries with mineral wealth, economic growth is often associated with Dutch disease[1] and specialization on a few products. As a result, labour markets have been segmented and unequal. There is widespread underemployment, and incomes in informal and agricultural activities remain low. Growth with jobs has been elusive because the links between agriculture and industry, which have always been tenuous even at independence when African governments had industrial and agricultural strategies, have become extremely weak. The development strategies of these countries were based on import substitution and, in some cases, the processing of agricultural products for export. Agriculture would provide foreign exchange, raw materials, food and labour for the industrial sector, which in turn would supply rural producers with production tools and, in the process, raise labour productivity and incomes. This strategy held much promise in Cote d'Ivoire between 1960 and 1980 when its manufacturing sector grew at a rate of 13% per annum, and manufacturing share of GDP rose from 4%-17% (Traoré, 1990; Oussou and Ngaladgo, 2004). The focus was on light industrial goods, such as textiles, shoes and construction material; and the processing of raw materials, such as palm oil, pineapples, bananas, coffee, cocoa and wood. Kenya's manufacturing sector also grew in the 1960s and 1970s, and accounted for about 14% of its GDP (Ikiara et al, 2004). It was dominated by agro-processing industries, such as grain milling, sugarcane crushing, coffee and a small and medium enterprise sector producing household goods, vehicle parts and farm implements.

However, linkages between industry and agriculture were weak even in Cote d'Ivoire and Kenya where there were concerted efforts to make agriculture the motor of industrialization. A large proportion of the agricultural labour force remained in the subsistence sector, which accounted for the bulk of food production but received lower returns than the agricultural export sector and industry. Labour migration to the cities grew faster than industrial expansion; and agricultural labour productivity was low as industry failed to play its transformative and supportive role. Industry depended on massive importation of intermediate and capital goods, and was unable to supply the technological needs of agriculture. Agricultural exports, whose terms of trade deteriorated in the 1980s, were not sufficient to pay for the large import bill and

[1] Dutch disease refers to patterns of consumption and investment in boom periods (associated with dramatic growth in revenue from resource extraction) that are not sustainable during periods of economic downturn.

debts incurred to finance industrialization. Long-running economic crises and massive debts in the 1980s exposed most countries to the stabilization and liberalization policies of the international financial institutions and made matters worse. Urban people are now fed largely by imported food, which has made it difficult to expand domestic agriculture and improve the incomes of farmers. Countries also import most of their manufactured goods rather than expanding domestic production. Indeed, Africa is the only region of the world whose citizens are largely clothed in second hand goods and which seems incapable of producing even basic household appliances.

What can be done? Employment-centred growth can be achieved through deliberate policies in a number of areas. These include industrial and agricultural policies that connect the agricultural sector more productively to industry and other sectors; expanding domestic production and raising the demand for domestic goods and services; investing in infrastructure as well as education to improve skills and the quality of employment; and avoiding pro-cyclical or contractionary policies during periods of slow growth. The single most important ingredient in this package is strategic action in governing the economy. One of the unfortunate effects of twenty years of structural adjustment is the dismantling of key institutions, such as development banks, marketing boards and development planning ministries and expertise in favour of unfettered markets. Certainly, markets provide important information about global trends in consumption, distribution and production. However, achieving an optimal policy mix for sustained growth requires additional instruments. Markets are often inadequate in responding to large, complex and urgent challenges (Heintz, 2009). Indeed, poor countries that have successfully industrialized and reduced poverty relatively quickly embraced more strategic forms of coordination, involving the state in multiple activities rather than merely the minimal market-enhancing roles of rule setting, regulation and stabilization.

A combination of state and market interventions is therefore required if African countries are to enjoy the kinds of growth and structural change that will deliver jobs. In this regard, governments should learn from the mistakes of the past in devising new strategic frameworks. In the 1960s and 1970s, most African countries provided incentives to business but failed abysmally to enforce decisions about resource withdrawal when performance was poor. Incentives tended to be generalized and not targeted to any sector or group of firms identified as the growth sectors. There was no steering or strategic agency with the requisite technical expertise to guide economic transformation. Bureaucrats lacked the economic information needed by business to facilitate a healthy state-business relationship. Firms did not produce for exports and were therefore not subjected to the discipline provided by international market competition. They often enjoyed huge rents, but refused to comply with agreed-upon targets. Building strategic and enforcement capacity is therefore vital in supporting state-business relations that will deliver agricultural and industrial transformation.

Resource bargains

Transforming African economies and societies requires resources. However, most African countries have weak fiscal capacity. During the first decade of independence, many of these countries were relatively self-reliant at least in recurrent expenditures. External aid focused mainly on capital expenditures as countries embarked on ambitious strategies of transformation. It may surprise some readers to know that some African countries in the Commonwealth-Sterling Area system did not only contribute to the stabilization of the balance of payments and international role of the pound sterling in the 1950s and 1960s, they also paid the pensions of ex-colonial officials (Bangura, 1983). Today, on the other hand, foreign aid plays a large role in the public finances of most countries. Indeed, Africa is the most aid-dependent region in the world. Even expenditures on social protection, which is supposed to be an index of state-society relations, are now being met by donor funding. However, estimates by the MDG Gap Task Force Report (United Nations 2011) show big gaps in meeting ODA commitments that are targeted to Africa, as well as a shortfall for 2010 in the Gleneagles ODA commitments in general. Indeed, the OECD survey of donor spending plans for 2011-13 shows that ODA will grow by only two percent as opposed to the eight percent growth in the previous three years (United Nations 2011; OECD 2011b).

It is increasingly clear that African countries cannot rely on aid alone if they are to meet their global commitments, let alone launch their countries on a trajectory of sustained growth and transformation. Indeed, the capacity of states to mobilize domestic resources is a measure of the extent to which they can achieve their development objectives. Domestic resource mobilization improves policy space and ability to set agendas. It also empowers states to influence the orientation and strategies of business groups. It is instructive to note that the high savings rates and control of the credit system in the developmental states of East Asia enabled those states to take a lead role in coordinating investment. Credit control allowed those states to select beneficiaries and influence their investment decisions (Amsden, 2001; Wade, 2004; Chang 2003).

African countries need to improve their tax and savings efforts. Most African countries collect on the average much less taxes than other regions. Tax efforts have traditionally favoured international trade taxes, which are less costly to collect, rather than personal income, corporate and property taxes (UNRISD 2010). Most people earn a living in the informal economy or in small-scale agriculture, sectors that are often difficult to tax; the corporate sector is very small and property-owning groups are often powerful enough to evade taxes or influence tax policies. However, trade liberalization associated with globalization, which has reduced tariff rates world-wide, is making it difficult for countries to rely on trade taxes to finance development programmes. Governments have been increasingly forced to raise consumption taxes (VAT), which, though regressive, reach a large section of the population, and thus have the potential to substantially increase state revenues. Consumption taxes have been complemented by user charges and increased levies on utilities and other services. They have generated protests across a number of countries where they have been implemented. In some countries, governments have also come under pressure from citizen groups to raise the level of taxes paid by corporations and property-owners.

While tax revenue as a share of gross domestic product (GDP) in Africa and Latin America was similar to that of East Asia from the mid-1980s to 2000, there were sharp differences in the savings rates among the regions. East Asia's average savings rate, as a percentage of GDP, was more than double that of South Asia and Africa, and two-thirds higher than that of Latin America. The great divergence in savings rates among regions occurred mainly after 1980. From 1960–1974, gross savings per GDP in Africa increased from about 18 per cent to 24 per cent and reached a peak of 26 per cent in 1980 before falling dramatically during the adjustment period of the 1980s. During much of the 1970s, in fact, Africa's savings rate was higher than the average for Latin America (UNRISD 2010; UNCTAD, 2007). Income level, the size of the working population, the economic and political environment, and availability of savings instruments determine the ability and willingness of citizens to save. Household savings in Africa's formal financial sector now account for less than 10 percent of GDP. However, many households hold non-financial assets as savings, such as real estate, cattle, commodities, and jewellery; and there are a number of informal credit institutions that provide financial services to low-income groups that are not captured by official statistics. These two types of savings tend to be precautionary, small-scale, irregular, and short-term, and can lead to periods of dissavings (UNCTAD, 2007). However, the situation may be changing with the proliferation of private banks in urban areas and rural towns and use of innovative savings and loans strategies to penetrate low-income groups with a high turnover of liquid cash (Beck et al 2009). Indeed, the financial sector is among the fastest growing sectors in Africa today.

Public savings are also important. However, they also experienced a decline in the 1980s and 1990s as terms of trade for key commodities deteriorated, economies were plunged into crisis, and governments came under pressure to pay foreign debts. In recent years, many African governments have developed national social security schemes to provide old age, invalidity and survivors benefits, and in some cases health protection to citizens (SSNIT.com). Starting with public sector employees, the schemes increasingly cover formal business employees, and strategies aim to extend coverage to the informal sector. Given the youthful age structure of the working population, the relative newness of the schemes, and the period it will take for benefits to mature, these schemes have generated large amounts of funds and are now an important source of public savings. They have provoked public debates and contestation about coverage, premiums and investment of the collected funds. When used wisely, such funds can become an important source of economic and welfare development as the experiences of Finland (Kangas, 2009), Korea (Huang, 2008) and Singapore (Huat, 2008) show.

However, support for domestic resource mobilization does not guarantee that the desired amount of resources will be generated, let alone allocated to preferred programmes, or that the burden of resource extraction will be distributed fairly among different population groups. Issues of contestation and bargaining are bound to influence the extent to which governments can succeed in extracting resources from their populace. Bargaining may involve acceptance by citizens of governments' tax and savings plans in exchange for services, social protection, employment guarantees and income support---- making the politics of domestic resource mobilization inextricably inter-connected with the politics of social development.

Resource bargains were fairly common in the early period of independence when African governments enjoyed much autonomy in defining their development strategies and did not rely on foreign aid to fund them. For instance, the universal provision of primary education in Western Nigeria during the 1950s and 1960s was based on a bargain between the regional government and farmers. The government used the surpluses generated by the cocoa marketing board and other levies to support its development programme as well as cushion the incomes of farmers and provide social services to the wider public (Helleiner, 1964; Wheeler, 1968). Mining companies in many countries also struck social bargains with governments and mining populations during the early period of independence in the form of health clinics, educational programmes and community services (Ferguson 2006). During the 1980s and 1990s, as these countries experienced crises and conflicts, their ability to bargain effectively with corporations was eroded. Mining companies in particular enjoyed generous tax concessions and protections and had fewer links with communities. However, concerns for environmental and labour standards, citizen activism on resource extraction issues, and pressure by mining communities for a fairer share of mineral rents have produced a variety of resource bargains in many countries. Most of the bargains are lopsided, but public awareness and mobilization for better bargains involving social investments have increased.

Universal social policies

The social part of resource bargains and development more generally suggests that social policy is indispensable to economic transformation. Social policy is at the heart of the growth strategies of countries that have experienced far reaching structural change and sustained poverty reduction. Such countries pursued a number of welfare policies at fairly low levels of income that covered a large proportion of their populations. They were able to do this because of the developmental roles they assigned to social policy, which was concerned not just with protection but also with economic growth or improving productive capacity. From this perspective, savings accumulated as social insurance funds, such as pensions or provident funds, can be used for infrastructure development and industrialization. Similarly, investment in human capital will not only improve the education and health of the population, it will also raise the productivity of labour and help firms and employees to manage adjustments in labour markets during economic downturns. Social policies may also act as powerful stabilizers, since income-replacement schemes may help smooth economic cycles and avoid deflationary crises by stabilizing demand and domestic markets. Social policy can also legitimize the political order, enhance social cohesion and contribute to political stability (UNRISD, 2010; Mkandawire, 2007).

A large body of literature has shown that social policies can be decisive in lifting people out of poverty. For instance, poverty levels are drastically reduced in most OECD countries after social transfers have been made, with the most significant reductions in countries that have comprehensive social policies (Stephens, 2007). The ILO estimates that non-pension cash transfers reduce the risk of poverty by more than 20 percent in most European Union countries; in Denmark, Finland, France, Hungary, the Netherlands and Sweden the reduction is even more than 50 percent (United Nations 2010). The ILO (2011) also estimates that a basic social protection package (comprising pensions for the elderly and disabled, child benefits and essential health care) for low income countries would cost between 2.2% and 5.7% of GDP in 2010. The cost of providing basic child benefits would be below 3% of GDP in most countries; and universal access to essential health care would cost between 1.5 percent and 5.5 percent of GDP.

Important complementarities often exist among different social services and systems of protection, which can be fully realized when they are provided on a large or universal scale. Universal access to health care, for example, is good for school enrolment and outcomes, which may not be constrained by illness. Similarly, universal access to education improves access to information about hygiene, nutrition and sanitation. Improved use of reproductive health care facilities is correlated with education (Mehrotra and Delamonica 2007). And health and education services may reduce the cost of social protection, just as social protection schemes, such as cash transfers, may make it easier for the poor to access social services. And access to water, sanitation facilities and transportation can improve health outcomes and reduce the time spent collecting water or travelling (UNRISD 2010).

During the 1960s and 1970s, social policies in Africa were an essential ingredient of economic development and nation-building (Adesina 2007). Public expenditures on education and health grew rapidly in most countries. Primary and secondary school enrolment rose and infant mortality rates declined. In the 1980s, however, economic crises and trends towards commercialization led to severe cuts in social expenditures. The burden of financing shifted to consumers through user fees. Only a few countries, such as Mauritius and Botswana, refused to cut expenditures. In Kenya, government spending on basic services fell from 20% of total expenditure in 1980 to about 12% in 1997 (Mittulah, 2008). As a result, low-income groups tended to have access only to poor-quality services and could ill afford the fees required to access those of better quality.

An evaluation report in 1994 on the World Bank's role in human development in Africa found that the Bank's annual loans on education fell from $0.50 per person (in 1990 dollars) for the period 1972-81 to $0.32 per person during the period 1982-88 (World Bank, 1994: 44). The Bank's contribution as a percentage of the education budgets of a panel of 21 countries actually collapsed from 37.3% in 1975 to 0.9% in 1985 (p.103). Following criticisms from international organizations, such as UNICEF, civil society groups and social democratic governments, the Bank reviewed its expenditure reform policies in the late 1980s and early 1990s.

Popular pressures for improved services and shifts in aid allocations in favour of basic services have led in recent years to increased spending on social services. There has also been a proliferation of social assistance schemes, such as free health care for children, pensions for the elderly and income transfers for the poor. However, Africa spends only about 3.5% of its GDP on social protection, compared to 4.5% in low-income countries, 10.5% in middle income countries and 20.6% in high income countries (Bangura, 2007). Furthermore, there is a tendency to treat the poor and vulnerable as residual categories or groups that should be targeted in these new social schemes, thus separating poverty reduction from the dynamics of development.

Targeting is often prone to two types of errors: those who need the service may not get it because of their weak position in the social and power structure, and those who are relatively better off and not targeted may end up getting the service because of their connections (Mkandawire, 2005). In countries where targeted social programmes are well funded and reach many people, the results can be positive. This is the case in South Africa, where one in four people receives an income financed out of general taxation. In countries where such programmes are limited, targeting has failed to make significant and sustained inroads into poverty. Targeting in fact undermines efforts to include middle-income groups in national coalitions that are important for funding and providing good quality services, and often condemns the poor to inferior services.

African governments cannot avoid a universal approach to social policy if they take economic and social transformation seriously. Firstly, long-running economic crises and structural adjustment have produced a system of social provision that is highly fragmented, exclusionary and dysfunctional for development. As a result, most people lack access to public services. When human capital is degraded, countries cannot compete or exploit international opportunities and move their economies forward. Second, even when services are available, there is insufficient investment in personnel, infrastructure and materials, leading to poor outcomes. Thirdly, weak state provisioning and commercialization have produced a dual system of health and education provision, consisting of a public sector that is under-resourced and neglected, and an unregulated private sector that may also be poor of quality (Adesina 2007). Universalism may constitute a powerful tool in the rebuilding of solidarity, citizenship and national cohesion especially in the context of Africa's ethnic fragmentation.

A social policy framework that will be transformative must be grounded in universal rights and linked to efforts at creating employment-centred growth. Indeed, the cost of social policy and the burden of universal coverage are reduced when the chosen development strategy delivers high levels of employment. For example, East Asian countries generated low levels of unemployment. Together with the policy of life-long employment for many workers in key industries, this strategy helped raise the majority of their population out of poverty. Similarly, European countries with relatively universal social protection regimes, such as the Nordic countries, tend to incorporate more people in the tax net through active labour market policies that produce high levels of employment (Steinmo 1993; Huber and Stephens 2001). Attainment of full employment in the past helped to reduce the cost of funding these countries' universal social policies.

Politics of transformation

Transforming Africa for effective poverty reduction requires purposeful, growth-oriented and welfare-enhancing political systems, as well as competent bureaucracies. Good social outcomes require institutionalization of rights; embedding of political parties in broad social coalitions;

construction of social pacts around key issues of growth, employment and welfare; and ensuring that the democratic regime is competitive. High levels of unionization can encourage groups to support policies that reconcile wage and welfare demands with the goals of profitability and growth (Iversen, Pontusson and Soskice 2000). In the Nordic countries, which were famous for their advanced welfare regimes, high levels of unionization and social pacts before their adoption of more liberal policies in the 1990s, unions supported policies of wage compression and equal pay for equal work across sectors, which spurred employers to raise labour productivity and avoid the option of cheap labour and segmentation (Huber and Stephens 2001). Unions were able to restrain the short-term interests of their members because of their encompassing position in the economy: deals that arose from bargaining had wide worker coverage, and bargaining took place at the national, not industry, level.

The structure of labour markets in Africa's agrarian and informal economies acts as a constraint on unionization and on interest-group pressure for welfare development. However, despite the limited nature of the wage economy in much of Africa, unions were able to pressure governments and employers to act on the livelihoods of workers on numerous occasions before and during the adoption of stabilization policies in the 1980s. In alliance with other groups, they also managed to resist policies such as price increases on basic commodities and services that undermined the welfare of the poor (Seddon and Zeilig 2005; Beckman and Sachikonye 2002; Olukoshi 1998b). However, unions' resistance to adjustment programmes in the 1980s exposed them to attack from reforming governments and the international financial institutions, who argued that rural poverty was a product of discriminatory trade and pricing policies favoured by an urban coalition that included the working class. Authoritarian measures were supported to free markets and release the grip of the so-called urban coalition on public policy (Beckman 1992; Toye 1992). While these measures weakened union power and undermined workers' livelihoods, they did not necessarily improve the incomes and power of farmers. Organizations of subaltern groups participated in the wave of democratization that swept through countries in the 1990s (Beckman and Sachikonye 2009). However, their capacity to subsequently influence the direction of policy has been limited. Indeed, one of the stark anomalies of Africa's democratization is the loosening of links between political parties and broad social movements that defend the interests of the poor.

The experiences of democracies in the South where issues of social rights have gained strong roots may provide lessons for African countries that seek to pursue economic transformation and welfare development in democratic contexts. In Mauritius, one of Africa's oldest democracies, the peasantry collaborated with the growing agricultural labour force and urban trade unions to force the state to institutionalize social rights. These organizations played a role in the formation of the first nationalist party, the Mauritius Labour Party, which spearheaded social reforms. The deepening of democracy and extension of social rights eroded clientelistic relationships. Today, all the major parties, which alternate in government, consistently regard social rights as acquired rights by citizens. There is a universal basic pension, free primary and secondary education, and comprehensive free medical care (Bunwaree, 2007). A similar pattern of party-interest group ties and competitive politics in promoting welfare and development can also be found in Costa Rica and the Indian state Kerala. Although the growth rates of these welfare democracies did not reach the levels of the East Asian developmental states, they were respectable for much of the period of the 1960s–1990s (with growth in Mauritius reaching 6 per cent; in Costa Rica, it averaged 5.3 per cent in 1963–2000, and 7.6 per cent in 1963–1973). This ensured some economic transformation and funding of extensive social programmes. Rural-urban alliances also facilitated extension of welfare rights to all citizens.

In South Africa, democratic processes in which social movements and pacts play a role have also driven the expansion of social assistance, which has become the main vehicle for addressing poverty, although the growth strategy has failed to generate employment (Seekings and Nattrass 2012). Despite periodic tensions, the social pact between the labour movement and the government has survived; when combined with electoral pressures, it has tended to push the government in a social democratic direction on social policy. An even more successful country with a history of high inequality outside of Africa is Brazil. Lula's government, which has been credited with the expansion of welfare rights in Brazil, represented the rise to power of the Workers' Party, with strong ties to the industrial working class and committed to the cause of redistribution and welfare policies. There has been substantial civic engagement with public authorities in many municipalities over budgetary issues, the most well known and successful being that in Porto Alegre. In Porto Alegre, participatory budgeting has led to a considerable increase in the number of households with access to water and sewerage, and children in public schools; it has also led to the expansion of local government revenues. The main factors contributing to the success of the process include the willingness of mayors to delegate authority to citizens; the extent to which the rules of participation give genuine authority to residents to make decisions; and the ability of civil society organizations to cooperate in the programme through a politics of contestation (Wampler, 2007).

Despite the delinking of political parties from social movements in much of Africa, it is important to note that electoral competitiveness has opened up possibilities for demanding accountability from leaders. For instance, taking advantage of a national election in 1993, the farmers' federation in Senegal, which had grown to more than 400,000 members, forced the country's president, who was worried about the rural vote, to discuss the government's agricultural policy. This resulted in an agreement to cut interest rates on agricultural loans, remove import taxes on agricultural inputs, issue a moratorium on farmers' debts, and institute dialogue between the farmers' organization and the agriculture ministry (Sheingate 2012). However, many African governments still enjoy huge parliamentary majorities and retain the capacity to immunize themselves from electoral defeat. Lack of electoral competitiveness and limited strength of social movements often make it difficult to sustain gains outside of electoral cycles.

Conclusion

Transforming Africa for sustained poverty reduction requires strategies that transcend the MDGs. The MDGs have been useful in drawing attention to the terrible conditions of poverty in Africa and the rest of the world and prompting leaders to take corrective measures. However, they do not go far enough in identifying the appropriate policies that poor countries need in order to get on a trajectory of growth and structural change. The MDGs seem to be walking on one, indeed very thin, social leg. They need to be grounded in both the "productive" and "social" sectors, exploit synergies between them, and be driven by the right politics. In other words, Africa needs a growth strategy that pays sufficient attention to productive capacities, employment generation and income levels. It also needs to generate domestic resources that can help to stimulate growth and support welfare, encourage effective social contracts, and wean the continent from aid dependence and its attendant loss of autonomy in policymaking. The rebuilding and expansion of human capital in its various forms through comprehensive social policies is vital in this regard. The appropriate type of politics for this enterprise is one that encourages groups with strong ties to the poor to organize independently and establish links with, as well as hold to account, political actors who make decisions. Countries where governments are sensitive to redistribution have produced relatively egalitarian outcomes. Elections in which outcomes are uncertain can act as incentives for redistribution. However, without effective group organization and contestation, elections may not work for the poor. Indeed, the poor suffer when interest groups and social movements are weak and when the electoral system is not sufficiently competitive.

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