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Trade and Poverty Alleviation in Africa: The Role of Inclusive Structural Transformation

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Trade and Poverty Alleviation in Africa: The Role of Inclusive Structural Transformation

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Abstract

Economic transformation is increasingly believed to be the mechanism to make trade work for poverty reduction and development in Africa. This paper argues that while transformation is indeed necessary for trade to contribute to poverty reduction, the nature of transformation also matters. In particular, strengthening the contribution of trade to poverty reduction in Africa requires inclusive structural transformation, which is transformation that enhances participation of vulnerable groups in the trade and development process. And for this to happen, governments have to address economic, political and cultural issues that foster social exclusion, remove input market imperfections that prevent vulnerable groups from exploiting market opportunities, and adopt a more gradual approach to liberalization to ensure that the reforms do not have a disproportionate negative impact on the poor. There is also the need to mainstream employment as well as rural development into the transformation agenda and ensure that workers get a fair share of the gains from productivity increases resulting from structural transformation.

Note

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Contents

Figures

Table

Acronyms

AAAA	Addis Ababa Agenda for Action
FISP	Farm Input Subsidy Programme
GDP	Gross Domestic Product
GES	Growth Enhancement Support
GIG	Gambia is Good
LDCs	Least Developed Countries
MDG	Millennium Development Goals
MGNREGS	Mahatma Ghandi National Rural Employment Guarantee Scheme
NGO	Non-Governmental Organisations
ODA	Official Development Assistance
RPRP	Rural Poverty Reduction Programme
RTIP	Rural Transport Improvement Project
SDG	Sustainable Development Goals

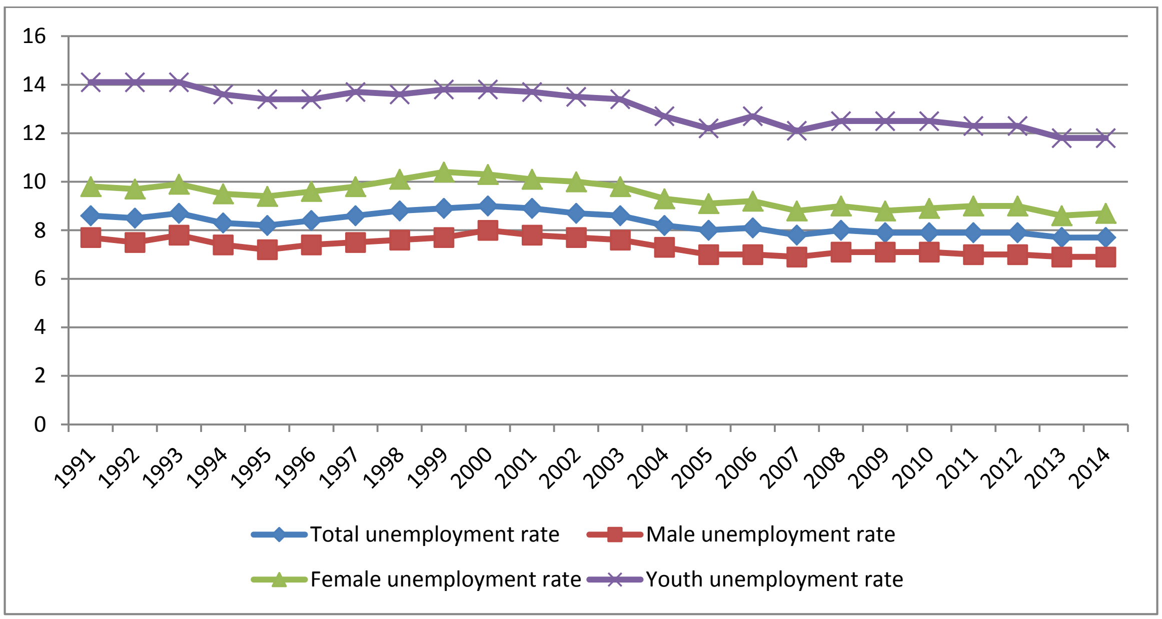
1. Introduction

The international community recently adopted the Sustainable Development Goals (SDG) as the transformative vision and framework that will guide development policy and international cooperation over the next fifteen years. Unlike the Millennium Development Goals (MDG), the SDGs have a more ambitious agenda and so will require more innovative thinking and approaches in implementation to ensure that the outcomes are much better than was the case with the MDGs. One of the SDGs focuses on the elimination of poverty by 2030. This is obviously a herculean task which, given current trends in official development assistance (ODA), will require the mobilization of other sources of finance for development to ensure that African countries and least developed countries (LDCs) can put in place the right set of policies to achieve the goal by the target date. The Addis Ababa Agenda for Action (AAAA) identifies trade as one of the main sources of finance for implementation of the SDGs. This is not surprising in the light of the fact that economic models suggest that trade has the potential to make significant contributions to growth and poverty reduction in an economy (Krueger and Berg, 2003). Since independence in the 1960s, African governments have made efforts to exploit this potential of trade for development, as reflected in the fact that trade increasingly accounts for a very large share of output in Africa. Available data indicates that the ratio of trade to output increased from 43 percent in the period 1995-1999 to 60 percent in the period 2008-2012.

The increasing role of trade in African economies has gone hand-in-hand with an increase in the continent's growth rate as well as a reduction in the poverty rate, particularly over the past two decades. Nevertheless, recent evidence indicates that Africa is the only continent where the number of poor has also gone up over the past two decades. One of the reasons for this is that recent trade and output growth did not generate sufficient employment to absorb the rapidly growing labour force, as evidenced by the fact that there has been no significant change in the unemployment rate in Africa. For example, despite the rapid growth experienced by the continent over the past decade, the unemployment rate in sub-Saharan Africa only fell from 8.2 percent in 2004 to 7.7 percent in 2014 (figure 1). Interestingly, the coexistence of rapid growth with high unemployment in Africa is a feature that is observed in both resource-rich and non-resource-rich countries. For instance, in the resource-rich countries of Angola and Nigeria, the unemployment rates were estimated to be as high as 26 and 23.9 per cents respectively in 2011 despite a decade of relatively rapid growth. Similarly, in the non-resource rich countries such as Ethiopia and the Gambia it is estimated that youth unemployment was as high as 27 and 40 percent respectively in 2011 (AfDB et al 2012). These facts suggest that African countries have to address the challenge of employment-creation and also strengthen linkages between trade and poverty reduction to enhance prospects for meeting the SDGs on the continent. Recent research suggests that structural transformation can play a crucial role in generating employment and also in enhancing the impact of trade on poverty reduction in Africa (UNCTAD 2014). But in transforming the continent, it is important for African policymakers to recognise that the nature of structural transformation also matters for poverty reduction. In particular, if structural transformation is to have the desired impact on poverty it must be done in such a way that it fosters social inclusion, through for example, ensuring that it has a positive impact on vulnerable groups, particularly women who happen to account for a large percentage of the poor in most countries. This requires that the activities promoted in the transformation process be those in which the labour force participation rates for women are likely to be high. It also requires fully integrating social inclusion into the transformation agenda.

Against this backdrop, this paper discusses how to make structural transformation inclusive to strengthen linkages between trade and poverty reduction in Africa. It argues, among others, that governments have to address social, political and cultural factors that foster social exclusion, remove input market imperfections that prevent vulnerable groups from exploiting market opportunities, and adopt a more gradual approach to liberalization to ensure that the reforms do not have a disproportionate negative impact on the poor. The paper also underscores the need to mainstream employment as well as rural development into the transformation agenda and ensure that workers get a fair share of the gains from productivity increases resulting from structural transformation. The rest of the paper is organised as follows. Section II provides some economic perspectives on social inclusion and development while section III identifies key transformative social inclusion programmes that have been put in place in developing countries over the past two decades with a focus on their features, impact and lessons learnt. Section IV discusses policies that are needed to foster inclusive structural transformation and strengthen linkages between trade and poverty reduction in Africa.

Figure 1: Unemployment rates in sub-Saharan Africa, 1991-2014 (%)



Source: ILO (2015).

2. Social Inclusion and Development: The Economic Foundations

In most countries, social inclusion programmes are often incorrectly regarded as welfare schemes that drain the public purse and have no discernible long-term development impact. Nevertheless, the economic literature suggests that there are strong economic rationales for adopting these schemes in developing countries. In this section, we discuss three channels through which social inclusion programmes could catalyze growth and contribute to long-term development in an economy (figure 2). The first channel operates through the impact of social inclusion programmes on human and physical capital formation (Funke and Strulik 2000). Inclusion programmes that give the poor better access to education and health services increase the economy's stock of human capital and hence have a positive impact on productivity. They can also allow disadvantaged groups in society to better exploit their potential by lifting social, economic and political barriers preventing them from participating in markets. In this sense, such programmes contribute to economic growth by allowing societies to make more efficient use of its existing human capital. With regard to physical capital, social inclusion programmes could contribute to capital accumulation when it is used to build infrastructure in an economy. Some of the infrastructure projects that have been designed and implemented as part of social inclusion programmes include road construction, irrigation works, provision of pipe-borne water, and rural electrification. Studies have shown that infrastructure development has a positive impact on growth particularly in developing countries with inadequate as well as poor quality infrastructure. For instance, it is estimated that per capita output growth in Africa over the last two decades would have been higher by two percentage points if the continent had adequate and good quality infrastructure (UNCTAD 2013).

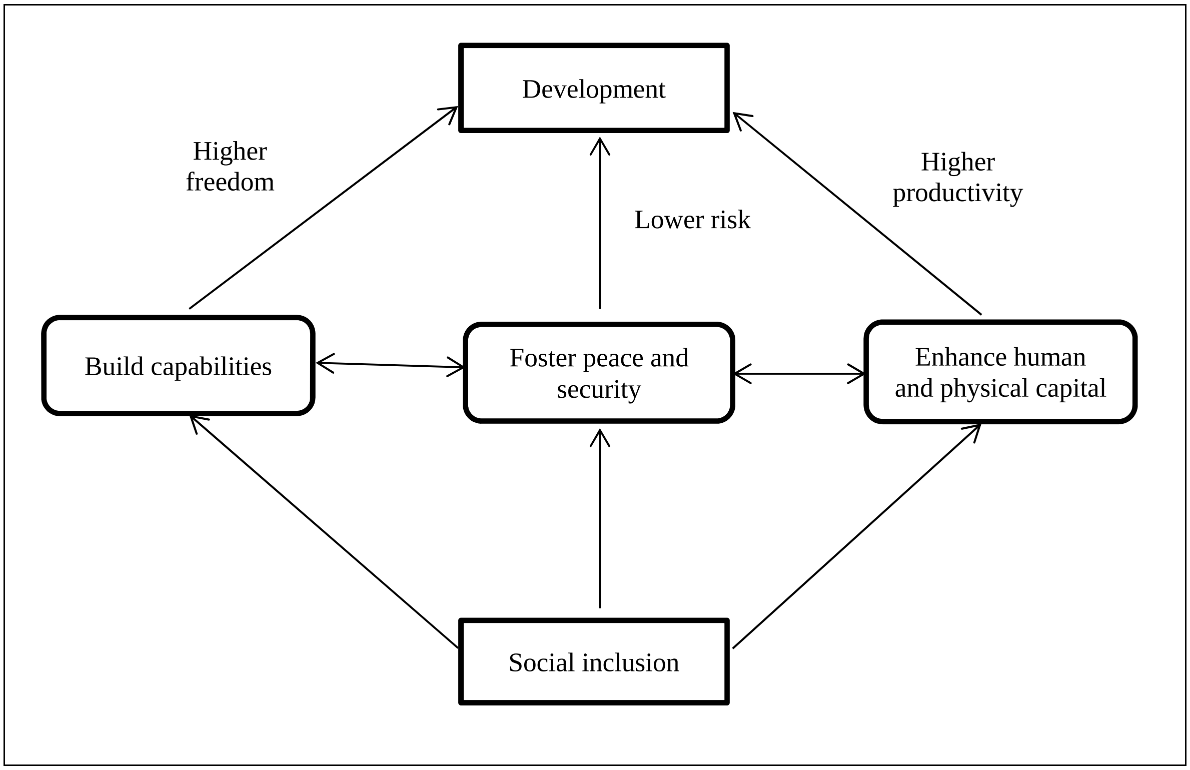
Social inclusion programmes can also catalyze growth through reducing poverty and inequality and hence fostering peace and security in an economy. It is well-known that peace and security are necessary conditions for economic development to occur and that conflicts and insecurity have significant negative effects on trade, investment, and development (Ikejiaku 2009). They often lead to destruction and deterioration of human and physical capital. For instance, it is estimated that 80 percent of the cattle stock in Mozambique was lost during the protracted civil war that ended in 1992 (Haysom 2014). In addition, there is evidence indicating that, over the period 1981-2005, poverty rates were on average 21 percentage points higher in a country that experienced major violence than in one that experienced none (World Bank 2011). By reducing the propensity for conflicts and insecurity, social programmes minimize country-specific political risk and promote investment thereby contributing to sustained growth and development.

A third view on how social inclusion contributes to growth and development emanates from the seminal work of Sen (1999). According to Sen, development is the "process of expanding the real freedoms that people enjoy."[1] He argues that the freedom people enjoy in a society affects their ability to help themselves and influence society and that lack of freedom can arise in a society due to inadequate processes and opportunities. In his view, problems such as social deprivation, poverty and poor access to opportunities reduce the freedoms enjoyed by individuals and have a negative

[1] Freedom as used here includes economic, political and social freedoms. This differs from the traditional economic approach to development which emphasises the role of physical and human capital in the development process and ignores the role of human capabilities and how it affects individual freedoms and social change.

impact on development. When viewed from this perspective, social inclusion programmes can contribute to development by enhancing the capabilities (or substantive freedoms) that an individual has to lead the life he or she desires.

Figure 2: Economic perspectives on inclusion and development



Source: authors

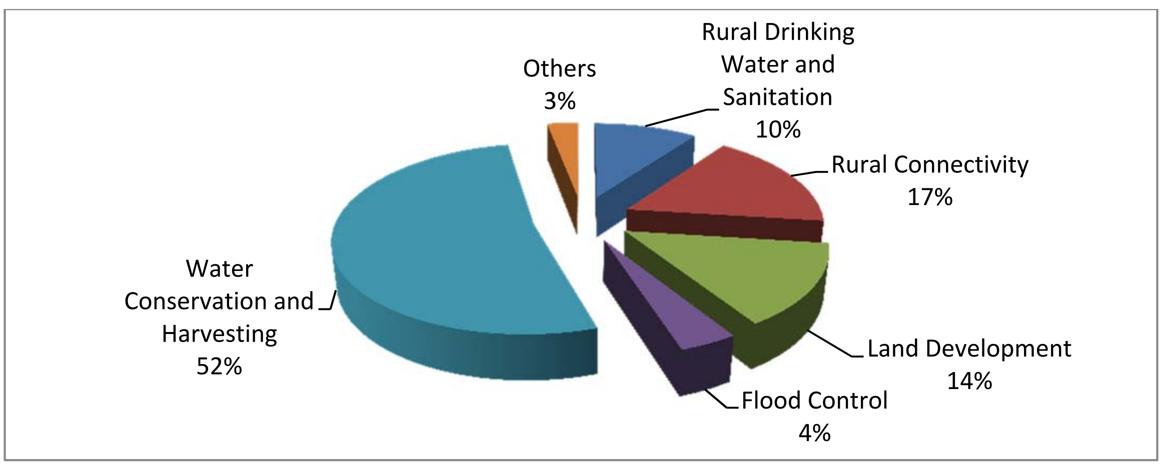
3. Transformative Inclusion Programmes: Features, Impacts and Lessons Learned

An examination of the trade and development experiences of African countries suggests that social exclusion is one of the factors inhibiting the ability of consumers and producers in these countries to harness the opportunities created in the trading system. Such exclusion often occurs in various forms: exclusion from access to social services; exclusion from sources of livelihoods; exclusion from political organisation and representation; and family or community-based exclusion (Kohler 2008). Irrespective of what form social exclusion takes, there is an understanding that it represents a barrier that prevents people from participating effectively in the trade and development process. In this context, strengthening linkages between trade and poverty reduction in Africa will require policies and measures to foster social inclusion and give vulnerable groups an opportunity to participate effectively in the trade, growth and development process. Over the past few decades governments in some developing countries have introduced various social programmes aimed at fostering inclusion. These range from targeted safety-net measures (such as provision of social assistance, social insurance and social services) to measures designed to enhance real incomes and build capabilities or assets. This section identifies and discusses selected social inclusion programmes that have been introduced in developing countries, with a view to drawing lessons from these experiences for African countries. The focus will be on "Transformative Inclusion Programmes" which, in this paper, refers to inclusion programmes that build capabilities and assets, provide or facilitate access to finance and markets, and create linkages between sectors.[2] For ease of exposition, we will discuss the programmes under these three clusters with the understanding that some of them have features that fit into more than one cluster. Table 1 presents an overview of the objectives, features, impact and lessons learned from the selected programmes.

Building capabilities and assets

The Malawi Farm Input Subsidy Programme (FISP) launched by the Malawian government in 2005, the Mahatma Ghandi National Rural Employment Guarantee Scheme (MGNREGS) introduced by the Indian Government in 2006, the Girinka Programme launched by the Rwandan Government in 2006, and the Growth Enhancement Support (GES) Programme introduced by the Nigerian government in 2012 are good examples of social inclusion programmes in developing countries that contribute to building capabilities and assets in the economy. Each of these schemes has increasing agricultural productivity and combating rural poverty as an ultimate goal but the mechanisms for getting to this goal differ across schemes. The Malawian FISP and the Nigerian GES operates through provision of input subsidies to farmers while the MGNREGS provides guarantee for 100 days of paid work to participants. Figure 3 shows the kinds of assets created under the scheme. With regard to the Girinka programme, the preferred intervention mechanism is to provide a female inseminated cow for free to a poor family with the understanding that the recipient will pass-on the first female calf to another poor family.

Figure 3: Types of Assets Created in India under MGNREGS, 2006 - 2015

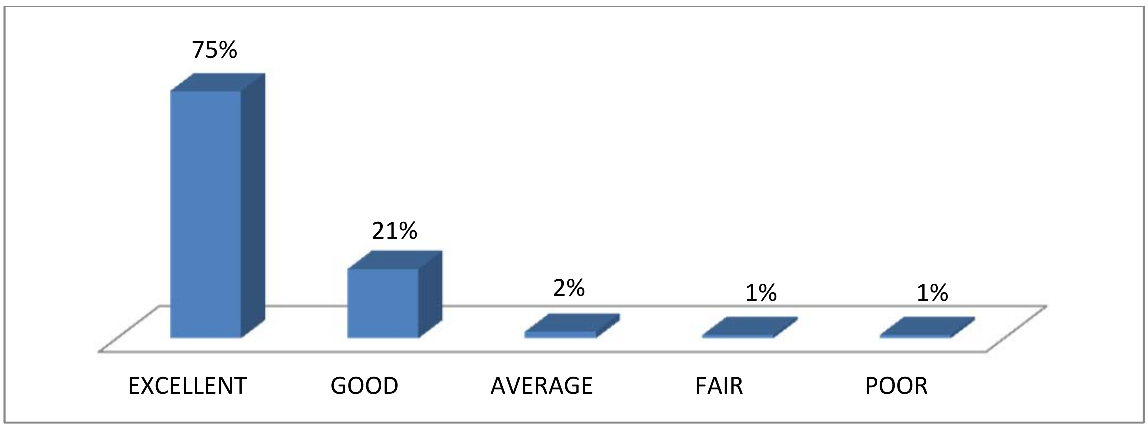


Source: Ashok Pankaj, Council for Social Development, 2015.

[2] Through these mechanisms these schemes support and contribute to the structural transformation process.

Each of the programmes under this cluster has had a positive impact on the local economy. For instance, it is estimated that the FISP led to an increase in maize output from 1.2 million tons in 2004/5 to 3.6 million tons in 2011/12 (Chirwa and Dorward, 2013). Recipients also experienced a significant increase in income and poverty rates declined from 52 percent in 2004/5 to 40 percent in 2008/9. Regarding the Girinka programme, it led to an increase in milk production in Rwanda by 11.3 percent and beef production by 10 percent over the period 2009 and 2011. The GES has been credited with increasing food supply in Nigeria by 8.1 million metric tons and a survey of 303 farmers carried out by the government suggests that 95 percent of the respondents indicated that their income increased as a result of the programme. In addition, 75 percent of the farmers rated the scheme as excellent (figure 4). As with the three other programmes discussed under this cluster, the MGNREGS has had a positive impact on the Indian economy with 52.5 million households receiving employment through the programme. Interestingly, most of the income received was spent on food, education and health thereby contributing to human capital formation.

Figure 4: Farmer's overall assessment of the GES scheme in Nigeria



Source: FMARD (2015).

Facilitating access to finance and markets

Since the beginning of the new millennium several interesting schemes have been introduced in developing countries to provide or facilitate access to finance and markets. One of these schemes M-Pesa was introduced by a telecommunications firm (Safaricom) in Kenya in 2007 to provide money transfer services to the poor at affordable cost. It permits subscribers to send and receive money as well as save, borrow and make payments using their mobile phones. An interesting feature of the scheme which subscribers find convenient is that it does not require them to own a bank account. To protect participants from losing their money, if the telecommunications firm goes bankrupt, the system is regulated by the government and cash handed over to M-Pesa agents are guaranteed and backed by money held in three commercial banks. M-Pesa has had tremendous success in Kenya. It has provided financial access to poor people and also allowed them to increase their savings. As a result of the scheme, the percentage of Kenyans with access to the financial system increased from 20 percent before the introduction of the scheme to 75 percent in 2010. Furthermore, the scheme contributed to employment creation and provided traders and farmers access to markets.

Another interesting scheme introduced in developing countries to facilitate access to markets through improving the quality of rural roads, and creating market growth centres is the Bangladesh Rural Transport Improvement Project (RTIP). The first phase of the project covered the period 2003-2010 and the second phase covers 2011-2017. Unlike the M-Pesa scheme, which is a private sector initiative, the RTIP is a scheme designed by the Bangladeshi government and jointly financed by the Asian Development Bank and the German government. To appreciate the significance of this scheme, it is necessary to note that 70 percent of the population of Bangladesh lives in rural areas and faces difficulties accessing markets and services due to poorly developed infrastructure and markets. The introduction of RTIP has contributed positively to addressing these challenges (GIZ 2014). It is estimated that 1325 kilometres of roads, 68 growth centre markets, 85 boat landing stages, and 3 ferry routes were built in the first phase of the programme (GIZ 2013). In addition, 10 million people used the roads built to access markets and services and as a result of the programme the revenue of poor households increased by 25 percent. The programme is also credited with reducing travel time for vehicles and people (ADB 2012).

The third scheme that facilitates access to markets is the Rural Poverty Reduction Programme (RPRP) launched by the Brazilian government in 1993 to combat rural poverty in the Northeast part of the country through implementation of community projects that would give the poor more social and economic opportunities than in the past. It is estimated that the Northeast region accounts for about 25 percent of Brazil's population but 50 percent of poor people in the country. The RPRP is a community-driven programme with three components: financing of projects through community associations; institutional development (or technical assistance) and programme administration. The projects were financed with loans from the World Bank and resources provided by the state, municipalities and beneficiaries (Coirolo and Lammert 2009). In addition, most of the projects financed were in infrastructure such as water supply and electrification. However, in the later stages of the programme, there was more focus on production activities and this led to an increase in employment from 20 percent in the period 1993-2005 to 35 percent in the period 2006-2008. The programme has also been credited with creating new markets for farmers products through establishing links between farmers and supermarket chains in the US and Europe. As a result of the success of the programme in the Northeast it was scaled-up to cover other regions of Brazil.

Creating linkages between sectors of the economy

Another area where social inclusion programmes are playing a crucial role in developing countries is in creating linkages between sectors of an economy. Among the selected schemes, the "Gambia is Good" (GIG) initiative launched in The Gambia in 2003 falls under this cluster. It is a private sector and non-governmental organisation (NGO) initiative designed to create linkages between local farmers and the growing tourism industry in The Gambia. More specifically, the two main partners behind the initiative are Haygove Development Limited (a UK horticultural company) and Concern Universal (a charity organisation). Although tourism is the main engine of growth in the Gambia, before the inception of the scheme there was very poor linkage between the industry and the agriculture sector. Because of the poor quality of local produce, businesses operating in the tourism industry were importing produce from Senegal and Europe. This meant that the economic benefits generated by the tourism industry could not be reaped by local farmers. To address this challenge, the scheme sought to improve the livelihoods of small farmers by tackling some of the problems facing them in participating in growing economic opportunities created by a flourishing tourism industry. These problems include: low output volume; poor quality of output; and lack of connection to lucrative markets. The scheme has helped farmers to produce high quality fruits and vegetables for supply to domestic businesses. It is estimated that in 2008 about 86 percent of produce purchased by hotels was grown locally. Furthermore, the scheme has empowered small-scale farmers and helped them to transit from subsistence to commercial farming. Interestingly, the number of farmers participating in the scheme increased from 26 at the beginning of the programme to 1000 in 2012 and about 90 percent of the participants are women. The scheme won the World Business and Development Award in 2008.

Lessons learned

A review of selected social inclusion schemes that have been adopted over the past two decades by developing countries in Africa, Asia and Latin America suggest the following pertinent lessons that should be taken into account by African countries intent on adopting social programmes to promote inclusive structural transformation.

- First, social inclusion schemes can indeed have a significant impact on development in an economy even when the budget for such schemes is relatively small. The MGNREGS scheme introduced in India, for instance, cost the government less than 1 percent of GDP. Yet, 52.5 million households benefited from the scheme. Furthermore, the RPRP scheme in Brazil had a significant impact on rural poverty and the average cost of a project under the scheme was about $28,000. That said, the experience of the FISP in Malawi indicates that the cost of the schemes could also increase rapidly if the scheme is not well managed and there is not enough oversight. One way to reduce the fiscal cost of these schemes is to reduce leakages and corruption. In the GES scheme of Nigeria, this was accomplished by providing input subsidies to farmers through vouchers sent to their mobile phones. In the MGNREGS scheme of India, the strategy adopted to reduce leakages was to set a minimum wage for projects such that only intended beneficiaries would have an incentive to participate.

- Second, social inclusion schemes are likely to be successful and have maximum impact if they are designed and implemented in such a way that they are sustainable. In the Girinka programme introduced in Rwanda, recipients of female inseminated cows made available under the scheme were required to pass-on the first female calf to another beneficiary. This pass-on feature and the incorporation of capacity-building into the scheme were important in ensuring sustainability of the scheme. In the RTIP programme of Bangladesh, the market growth centres enabled local communities to trade more than in the past thereby enhancing the development impact of the scheme. In addition, the fact that maintenance of infrastructure and training in road maintenance were incorporated into the programme also contributed to the success of the scheme.

- Third, local ownership of inclusion programmes is important and should be encouraged. One of the reasons for the wide local acceptance and success of the Girinka programme is that it was designed taking into account the Rwandan culture regarding cattle ownership. In addition, beneficiaries of the scheme were chosen by the local community and validated by government officials. In the case of the RPRP programme of Brazil, one of the reasons for its popularity and success is that it is a community-driven scheme with decentralized decision making and funds managed by beneficiaries.

However, the government does oversee the programme and suggests modifications if it deems it necessary to enhance the impact of the programme.

- Fourth, programmes sometimes have unintended consequences that have implications for attaining national development goals, as demonstrated by the experience of Malawi in the implementation of the FISP. There are indications that the programme had a negative impact on the commercial input market because some farmers who could have bought inputs from the market participated in the programme. Although the scheme was designed to increase maize output and promote food security, the prizes of maize remained high despite a significant increase in maize output. Furthermore, fertilizer prizes tripled between the launch of the programme in 2005 and 2008, resulting in a significant increase in the cost of the programme from 2.1 percent of GDP in 2005 to 6.6 percent of GDP in 2008.

- Fifth, effective social inclusion programmes do not necessarily have to be initiated or financed by the government. They can also come from the private sector and civil society. For instance, the GIG scheme of The Gambia and the M-Pesa scheme are non-governmental initiatives. Yet, they have been very successful in fostering social inclusion. In general, these private sector initiatives tend to be popular when they fill a gap in the market. For instance, the M-Pesa responded to the needs of the large segment of people in rural communities that had no bank accounts and had no access to the formal banking system in Kenya. The scheme was also popular because it was affordable, available most of the time, and user-friendly. Similarly, the GIG resonated with small-scale farmers because it bridged a gap between them and the growing tourism industry. It also empowered farmers and permitted them to exploit opportunities created in the local economy.

- Sixth, communication is needed to enhance participation of intended target groups in the programmes. One of the lessons from the GES scheme in Nigeria is that there is the need to raise awareness on the existence of the programmes to ensure maximum participation of target groups. Despite the success of the scheme, some potential beneficiaries were unable to participate because they were either not aware of the programme or did not have sufficient information on how to participate. In contrast to the GES, in the RPRP scheme of Brazil information campaigns were launched to inform potential beneficiaries of upcoming projects. Similarly, in the RTIP scheme of Bangladesh, efforts were made to sensitize the rural population through road safety and environmental awareness campaigns.

- Finally, gender issues should be taken into account in programme design and implementation. Since most of inclusion schemes are geared ultimately towards reducing poverty and a large percentage of the poor in developing countries is women, integration of gender issues into programme design and implementation enhances effectiveness of programme. In the MGNREGS scheme of India, there is a requirement that at least 33 percent of beneficiaries must be women. And in the RTIP scheme of Bangladesh, the programme was designed to empower women. Furthermore, training was provided to women in road maintenance thereby providing them with employment and enhancing the development impact of the programme.

Table 1: Transformative social inclusion programmes in developing countries

Programme	Objective	Key features	Impact	Lessons Learned
Malawi Farm Input Subsidy Programme 2005 - present	- Malawian government initiative with aim to achieve food security and increase productivity and incomes for poor households.	- Seeds and fertilizers distributed to farmers through coupon system (2/3 subsidy from government). - The subsidy was 2.1% of GDP in 2005/6 and 6.6% of GDP in 2009/10. - Reduced corruption through secure printing of coupons to avoid counterfeit, however coupon not directly delivered to farmers - Recipient target group grew from 50 to 65% - Involvement of government, private sector and other local stakeholders - Changes brought to the programme each year from experience	- Poverty rates fell from 52% in 2004/5 to 40% in 2007/8 and 2008/9 - GDP grew 2.1% per annum in the period pre-subsidy to as high as 7.8% during subsidy. - increased productivity, food security and food self-sufficiency - Poor recipient households had an increase in income of between 10% and 100%	- Programme had a positive impact on GDP, income, and wages. Also enhanced food security - Voucher system good for beneficiaries targeting and control of rations - Strong need to manage budget to avoid it exploding - Persistent high fertilizer and maize prices had a negative impact on sustainability of the programme
The 'One Cow Per Poor Family' programme (Girinka Programme) in Rwanda. 2006-present	- Rwandan government programme to fight child malnutrition, rural poverty and food insecurity	- A female inseminated cow given for free to a poor family. The recipient family passes on the first female calf to another poor family - Beneficiaries chosen by the local community - Costs of the programme covered by the government, private donors and NGOs. - Training of farmers in cattle husbandry and disease detection is a key component of the programme	- Since the onset of the programme, 203000 families have received a cow and the target is to reach 350000 families by 2017 - Programme permitted farmers to increase income, attain food security, reduce child malnutrition and start small business - Between 2009 and 2011 milk production increased by 11.3% and Beef production by 10% - Increase in agricultural output through the use of manure as fertilizer	- Programme built on Rwandan culture and traditions in which owning a cattle is associated with opulence. - Capacity-building was an important component of the programme from the onset - Beneficiaries were chosen by the local community and validated by local authorities and government officials. This led to better targeting and ownership. - The "pass on" feature of the programme ensures that the programme will be sustainable.
Financial Inclusion for all: M-Pesa in Kenya 2007- present	- Private sector initiative aimed at providing affordable money transfer services to the poor through mobile phones	- Private sector business initiative by biggest mobile phone provider Safaricom - Does not require owning a bank account - M-Pesa subscribers can send and receive money, save, borrow and make payments through their mobile phones with the 37 000 M-Pesa agents covering the nation. - Subscribers convert real cash into electronic money that they can send; the receiver converts the electronic money back into cash through an M-Pesa agent. - Safaricom tapped into an existing technology to provide this service - Savings and payments by subscribers are guaranteed and backed by money held in three commercial banks	- Poor people have increased savings through M-Pesa. Better livelihoods and ability to weather financial shocks by saving and investing through M-Pesa - Before M-Pesa, 20% of Kenyans had access to the financial system and in 2010, the share was 75% - M-Pesa allows traders, farmers and small businesses to reach markets they had no access to beforehand. - Creation of thousands of jobs for work in M-Pesa agencies or to sell airtime - Lower transport costs, reduction in risk of carrying cash, reduced theft, better monitoring by the central bank of the amount of money in circulation and amount of transactions. - Inclusion of rural areas in the financial system.	- M-Pesa is popular because it fills a gap in the market. - The other reasons for success of the programme include: the high mobile phone penetration rate, progressive regulations, high literacy rates, trust in Safaricom and the user-friendliness and affordability of the service and lastly the rate of coverage of the territory by M-Pesa agents.

Table 1 (contd.)

Programme	Objective	Key features	Impact	Lessons Learned
Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in India 2006-present	- The scheme is based on the national rural employment guarantee act whose main aim is to combat rural poverty and diversify sources of income of poor households away from agriculture and create durable assets in rural communities.	- Rights-based approach with legal guarantee to provide 100 days of paid work to participants - Poor households register for the scheme and obtain a job card which any adult in the household could use to apply for a job. - Demand driven - Minimum wage set at a level to draw into the programme only those who need it (self-targeting) - Participants entitled to unemployment allowance if state cannot provide work - Programme requires that at least 33% of beneficiaries be women - Funded by Federal governments and implemented independently in each state.	- The programme has had huge impacts at a very low cost (less than 1% of GDP). - 52.5 million households received employment through the scheme and they spend most of the money mainly on food, education and health. - Women participation set at 33% in the Act was as high as 48% in the year 2009/10. - Programme improved the livelihoods of the rural poor. - Reduced rural exodus and increased wage rates for unskilled labour - Increased agricultural productivity due to better irrigation, preservation of nature through the planting of trees, and better rural connectivity - financial inclusion impacts due to payment of salaries through bank accounts set up for beneficiaries.	- Social schemes can have high impact even with very low budget. - Inclusion of gender issues enhances impact of programme on poverty - Increasing awareness of programme is important for active participation - Challenges of implementation can arise due to weak coordination, lack of political commitment and respect for entitlements, and delays in payments in some areas.
The Bangladesh Rural Transport Improvement Project (RTIP 1) 2003-2010	- The project was designed to improve the quality of rural roads and build markets (growth centers) with a view to boosting growth and reducing poverty. - First phase of the project was from 2003-2010 and the second phase covers 2011-2017	- International donors in collaboration with the government of Bangladesh designed the project to build and maintain rural roads and create centres for economic activity called market growth centres. - Project was jointly financed by the ADB, the German government and the government of Bangladesh. - Project has 2 parts: design, construction and supervision on the one hand and institutional strengthening on the other - Maintenance of infrastructure and capacity building were incorporated in the project - Women were trained in road maintenance and had access to employment	- During the first phase around 1325 km of roads, 68 growth centre markets, 85 boat landing stages and 3 ferry routes were built. - 95000 poor households saw a 25% increase in their revenues - 82000 person-years of employment were directly generated with a strong participation of rural poor women. - Indirect employment was generated from the stores that opened along the newly-constructed roads. - 10 million people used roads to access markets, schools, health centres. - The travel times were reduced for vehicles and for people.	- Maintenance and capacity building are important in enhancing impact of programmes - Gender has to be taken into account in programme design and implementation - Sensitization and awareness campaigns can contribute to success in implementation.
Gambia is Good (GiG) - Tourism 2003-present	- Project is a private sector/NGO initiative launched by 2 partners Haygove Development Ltd and Concern Universal a development NGO in 2003. - The aim was to link local farmers with the growing tourism industry.	- GiG signed a loan agreement with farmers and provides them with agricultural inputs (seeds and fertilizers) - GiG graded and sorted the produce to conform to the set standard of quality. - Quality standard ensured by GiG and farmer training provided for improved production - elimination of intermediaries and access to the industry market - Initial funding from Haygrove Partnership Ltd and from the Department of the International Link Challenge Fund.	- GiG bridged gap between local Gambian farmers and tourism industry and local businesses (hotels, supermarkets, restaurants). - Opened new markets for local produce and empowered small farmers. - The number of farmers participating increased from 26 at inception to 1000 today (90% are women). - Project benefitting 5000 people indirectly. - Farmer training from GiG helped them move from subsistence to commercial farming. - In 2008, farmers sold $140 000 of produce via GiG. Produce packed, graded and stored in good conditions before delivery. - Unlike in the past, in 2008 86 percent of produce purchased by hotels were grown locally.	- Successful social schemes do not necessarily have to come from the government. They can be initiated by the private sector. - Lack of communication across sectors and low technical capacity of the poor can make it difficult for them to benefit from growing sectors of an economy. - Tourism can be an engine of economic growth if backward and forward linkages can be created between different sectors of the economy.

Table 1 (contd.)

Programme	Objective	Key features	Impact	Lessons Learned
Growth Enhancement Support (GES) Programme in Nigeria 2012 - present	- GES scheme is a government agricultural input distribution programme launched in 2012 by the Nigerian Federal Minister of Agriculture and Rural Development (FMARD). - The aim is to provide small-scale farmers with subsidized fertilizers and seeds in order to boost agricultural productivity and reduce poverty	- This innovative scheme is based on a voucher system with vouchers directly sent to farmers on their mobile phones - Farmers could redeem their vouchers with private sector agro dealers and so there is no need for intermediaries. - Agro dealers and farmers were connected through the government ewallet platform. - 50% of cost borne by farmers and the federal and state government bear 25 percent each of the remaining cost.	- 4 million people registered in 2012 and over 10 million in 2013. - fertilizers and seeds delivered to 1.2 million farmers within 120 days of the programme - Increase in the food supply in the domestic market by 8.1 million metric tons. - A survey of 303 farmers in the states of Kano, Zamfara and the Federal Capital Territory showed that farmers were satisfied with the new scheme. 97% asserted that inputs had led to increased food production and 95 percent declared their income had increased. - 94% of farmers received their inputs with the GES against 11% under the previous government distribution system.	- Technology can play a crucial role in reducing corruption and leakages in social programmes - There is the need to raise awareness about the existence of social programmes - Training should be incorporated into programmes for better results - Infrastructure in rural areas (phone lines etc) also has to be strengthened to ensure that more people are able to participate in schemes
Rural poverty reduction programme (RPRP)North east Brazil 1993	- Programme launched by the govern-ment of Brazil to combat rural poverty in the Northeastern part which accounts for half of Brazil's poor and two-third (15 million) of the country's rural poor.	- Pilot project launched in the 1980s and programme initiated in 1993 - Adopts a community-driven development (CDD) approach where local communities are in charge of their own development - Programme had 3 parts: community investment which engulfed 90% of the total project cost, institutional development (technical assistance) and programme administration - Projects are run by community associations under supervision of state governments - Decision-making is decentralized and beneficiaries manage funds. - the programme cost 1.4 billion dollars with 952 million lent by the world bank and 482 million from the state, municipalities and beneficiaries - average cost for a project was $28 000.	- Led to improved living conditions for poor people in Northeastern Brazil: three-fifth of the poor in this region gained access to electricity and potable water - Programme reached 11 million people in 2008. 38 000 community associations were formed; they worked in 1500 out of 1686 (89%) municipalities of Northeastern Brazil. - 50 000 community subprojects were financed with a budget of 1.4 billion USD over 25 years. - scheme has helped small-scale farmers find markets for their goods in the US and Europe - the good results in Northeastern Brazil has led the programme to be scaled to the whole country	- Community-driven approach promotes ownership of social programmes - Information campaigns increase participation in social programmes - There is also the need for oversight of programmes even when they are run by communities. - Modifications of programmes is often necessary to enhance impact.

Source: compiled by authors based on information from various sources.

4. How to Foster Inclusive Structural Transformation and Strengthen Linkages between Trade and Poverty Reduction

In recognition of the pivotal role of structural change in the development process, over the past two decades there has been growing interest in fostering structural transformation in Africa at the national, regional and global levels. At the national level, structural transformation features prominently in the development plans and strategies of many African countries. For example, in Tanzania, the development strategy (vision 2025) underscores the need to transform the economy to make it more resilient and competitive. Similarly, Zambia's sixth national development plan aptly titled "People Centred Economic Growth and Development", covering the period 2013-2016, identified diversification as a policy imperative. In Sierra Leone, the Poverty Reduction Strategy Paper for 2013-2018 identified economic diversification as one of the eight pillars underpinning its Agenda for Prosperity in support of the goal of achieving middle-income status by 2035. Structural transformation is also a priority issue for Africa at the regional level as reflected in the fact that it features prominently in the African Union's Agenda 2063. The crucial role of structural transformation in the development process is also increasingly acknowledged at the global level as evidenced by the fact that, unlike was the case during the MDGs, industrialisation was mentioned in one of the SDGs (goal 9).

The increasing emphasis on transformation of African economies is justified and welcomed but it is important that the focus of development policy on the continent should not be on transformation per se but on how to ensure that it is done in an inclusive manner. This is the way to ensure that African countries can transform their economies in a manner that enables them to effectively address their development needs and challenges. Against this backdrop, the current section discusses how to foster inclusive structural transformation in Africa.

Mainstream employment creation into the structural transformation agenda

Structural transformation is a necessary but not sufficient condition for employment creation. For it to create adequate employment there has to be a conscious effort by the government to direct it towards achieving this goal and this can be done by encouraging and incentivizing firms to adopt labour-intensive production processes where feasible. It can also be done through strengthening linkages between activities within sectors as well as across sectors. And this would require better exploiting linkages between formal and informal enterprises, domestic and foreign enterprises, and small and large enterprises. Some of the measures that could be adopted to create inter-firm linkages include provision of market information, promotion of joint ventures between foreign and domestic enterprises, development of industrial clusters, and enhancing access to finance (UNCTAD 2013).

Enhance workers benefits from productivity increases associated with transformation

Productivity increases are generally associated with the structural transformation process and how this gain is distributed across factors of production can have a profound impact on income distribution and determine the extent to which the transformation process is inclusive. If most of the gains resulting from the structural change from low to high productivity activities accrue to owners of capital, the transformation process is unlikely to be inclusive. It is therefore important that a substantial share of the increase in productivity associated with transformation be passed on to workers in the form of higher wages to create additional domestic demand and hence employment.[3]

Address economic, political and cultural issues that foster social exclusion

Governments often pursue poverty reduction strategies on the assumption that by reducing poverty they can achieve inclusive development. However, recent experience in developing countries has shown that poverty reduction does not automatically lead to social inclusion and that poverty reduction programmes must be complemented with social programmes to enhance the likelihood that they foster inclusion. The reason is that social exclusion is not simply an economic issue. There are also non-economic factors that contribute to exclusion (such as culture, intra-family power relations, and lack of political participation and representation etc.). Therefore effective measures to foster inclusion must recognise its multi-dimensional character by addressing not just the economic but also the political and cultural issues that cause exclusion.

Adopt a more gradual approach to trade liberalization

Africa's structural transformation is taking place in an increasingly globalized world characterized by trade and financial market liberalization. But rapid trade liberalization presents challenges for both structural transformation and social inclusion. It exposes domestic industries to international competition and often leads to factory closures with dire consequences for employment creation. In addition, liberalization tends to have a negative impact on less mobile factors of production (such as unskilled labour) and other vulnerable groups at least in the short-run. Therefore, to foster inclusive structural transformation African governments will have to minimize the negative impact of liberalization on their economies through, for example, adopting a more gradual approach to liberalization than in the past. Such gradualism is needed for at least two reasons. The first is that it will provide policymakers with sufficient space to take corrective actions to enable vulnerable groups better adjust to changes associated with trade reforms. The second reason why a more gradual approach to liberalization is needed is that there are input or factor market imperfections (in land, labour, energy and credit markets) that prevent African countries from fully exploiting opportunities in the trading system and, in my view, fully liberalizing product markets without addressing these input market imperfections will lead to undesirable results. In addition, addressing these input market imperfections will contribute to the development and full utilization of productive capacities in Africa which is needed for the continent to participate more effectively in the international trading system than in the past. It is well-known that many African countries have very low productive capacity for trade and that this has made it difficult for them to take advantage of opportunities created in the trading system. The low utilization of preferences granted under the African Growth and Opportunities Act (AGOA) of the United States, the Everything-but-Arms (EBA) scheme of the European Union and other preference schemes are good examples of the challenge facing African countries because of low productive capacities.

[3] The increase in wages should be managed in such a manner that it reflects the value of the marginal product of labour so that it does not diminish the incentives that firms have to reinvest profits.

Develop and enhance workforce skills

Structural transformation inevitably involves the creation of new industries, expansion of some existing ones, and closure of others, particularly those that have low future market prospects or are in sectors where a country does not have a competitive or comparative advantage. Naturally, some workers in the industries that are to be closed may not have the required resources to retrain themselves to look for employment in the growing sectors and will need support to be able to make the transition from one activity to another. In this context, there is the need for African governments to ensure that training is an integral part of the transformation process to reduce the adjustment costs of the transition for workers and make the transformation process inclusive.

Promote rural development as an integral part of the transformation agenda

A large percentage of Africa's population lives and works in rural areas and so policies affecting the rural areas will have important consequences for achieving inclusive transformation and development. It is estimated that in 2014, agriculture, forestry, hunting and fishing accounted for 60 percent of total employment in sub-Saharan Africa. This figure masks wide variations across countries. For example, in South Africa and Mauritius the sector accounted for 4.1 and 7.3 percent respectively in 2014 and in Burkina Faso and Burundi the numbers were 83 and 90 percent respectively in 2014 (ILO 2015). Despite the importance of agriculture and rural areas in Africa's economies, in the past efforts to diversify and transform African economies focused mostly on manufacturing development at the expense of agricultural development. This strategy had dire consequences for the poor and led to migration from rural to urban areas resulting in the growth of the informal sector in cities. The key lesson learned from this experience is that agricultural and rural development must go hand in hand with the transformation agenda if it is to have positive and sustained long-term development impact in the economy.[4]

Adopt a strategic approach to South-South Cooperation

The rise of emerging economies and their growing partnerships with Africa has had a positive impact on African economies through various channels: an increase in commodity prices; an increase in the sources of development finance; enhanced trade and investment. But it also presents challenges for labour-intensive industries and employment in the continent and should be explicitly taken into account in ongoing processes of transformation and, more importantly, in formulating national development strategies. With a few exceptions, many countries do not have a well-defined strategy guiding their engagement with emerging partners and this has meant that they often sign agreements with partners without clearly assessing the potential consequences of these agreements for their economies. There is a need for African countries to rethink their approach to these burgeoning partnerships to ensure that it does not erode efforts being made to promote inclusive structural transformation on the continent.

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[4] It should be noted that in some countries political and economic realities may dictate that transformation be accomplished through a gradual shift from agriculture to manufacturing.

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