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INTEGRATED APPROACHES TO POVERTY
REDUCTION IN AFRICA

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Introduction

1.01 Growing poverty in Africa has once again begun to sound alarming bells. It is a problem which must receive urgent attention. However, solutions must be seen from an historical perspective if mistakes are not to be repeated, and if constructive lessons are to be learnt and applied in an operational context. A question may be asked why so much concern about poverty in Africa today? In 1973, Mr. McNamara's famous Nairobi speech at the World Bank's annual meeting of the board of governors was followed by a widespread interest in the international donors' community to make a direct "Assault on poverty" (World Bank, 1973). The donors' concern rose at the time of a major drought which had led to rising world food prices and a sharp rise in the food import bill of African governments. The oil import bill had also burgeoned following the first oil price shock. Then African governments resolved to achieve food self sufficiency by giving a high priority to food production. Donors vowed to provide for basic needs of Africans. External aid rose sharply. Nearly a quarter to a half of the rise in external aid was directed to integrated agricultural and rural development projects. Amounts committed to agricultural and rural development increased by up to 7 times in less than ten years in several countries. To mitigate poverty, project interventions shifted away from export to food crops. Investment focus also shifted from areas of well demonstrated agricultural potential where rural incomes were already better, to poor relatively marginal areas that had low and variable rainfall. Assistance to agriculture was combined with investment in health, education etc. In this way governments intended to achieve political integration and regional equity. Donors hoped to reach the poorest of the poor.

1.02 It is now generally believed that most integrated projects failed. They were too complex and tried to do too much too quickly. Public services expanded, but their quality left much to be desired. Projects were also based on very little knowledge of the precise constraints the poor households faced. For example, they pushed production of maize where only millet and sorghum could grow for climatic reasons. Governments and donors also overlooked macroeconomic management in their tunnel-visioned focus on projects. As macroeconomic problems mounted by the end of the 1970's, donors were quick to abandon integrated rural development and eager to dissolve the projects entities (Lele). After a decade of structural and sectoral adjustment, much of the planning and implementing apparatus created for agricultural and rural development in Africa, albeit on an ad hoc basis, has been dismantled. As criticism that adjustment programs are adversely affecting the poor mounted, new interventions have begun to be designed to compensate for the adverse impact of structural adjustment. All too often these interventions do not draw on the past experience. They overlook the fact that the problems of poverty in Africa are deep rooted, long-standing and often not necessarily related to structural adjustment.

1.03 The poor earn their living by mostly selling their labor. Therefore, uprooting poverty requires rapid and broadly based growth to create productive employment so as to outpace high growth rates of population. Given the extensive initial underemployment in Africa it will take a long time to soak up the unemployed labor force before real **wages** can increase. The pace and pattern of development are crucial to the amount of productive employment and income generation. No matter how rapid, the normal process of development will not however, be able to benefit some sections of the population that are too poor to participate in the normal growth process. For these sections direct programs of poverty alleviation are essential. However, experience in Asia indicates that to be effective such programs tend to be highly resource intensive, mainly of indigenous leadership, administrative and management skills. They also require a strong political commitment to uproot poverty. Africa, which now receives nearly \$4 billion worth of technical assistance, will need to examine how it will reduce that dependence and increase the mobilization of its own people to solve the complex problems of poverty. Finally, there is an urgent need for an active population policy that will bring down the population growth rates and increase per capita benefits of growth. This requires massive investment in the education of women as a way of uplifting the entire families. This paper therefore deals with the problem of poverty uprooting at three levels:

1. Those which can be addressed by an effective long term strategy of rapid and broad based economic growth.
2. Those which require active population and human resource development policy .
3. Those which need special programs to uproot poverty.

1.04 As the premier regional development agency, the African Development Bank has a critical role to play both at the levels of helping African governments to establish effective long term economic development strategies and human resource policies, as well as in getting underway direct action programs to redress problems of the very poor. The implications of our diagnosis for future long term policy analysis and policy reform, monitoring, evaluation and programs of action for poverty uprooting are spelled out at the end of the paper.

The Nature and Extent of Poverty in Africa

2.01 Sub-Saharan Africa is one of the most deprived regions in the world. Based on a poverty line defined as per capita incomes below \$370, the World Bank's 1990 World Development Report (WDR, 1990) estimated that in 1985 over 1.15 billion people in developing countries were living in poverty. Sub-Saharan Africa accounted for 16% or 180 million people South Asia 47%, East Asia 25%, Latin America and the Caribbean 6%. the Middle East and North Africa round up the rest. However, if present trends of low growth in incomes and rapid population growth exceeding well over 3% continue, the WDR projects that by the year 2000 the number of the poor in Africa will increase to 265 million people accounting for 30% of the developing world poor. This contrasts sharply with a projected decline in the number of poor in South Asia to over 365 million by the year 2000. The growing incidence of AIDS and its likely impact on future population growth rates in Africa and elsewhere in the world are however a major enigma. Its impact on incidence of poverty and implications for policy will need systematic analysis. However, it is a subject which is beyond the scope of this paper.

2.02 The paucity of intertemporal data on income distribution in Sub-Saharan Africa makes it difficult to estimate trends in the incidence of poverty for individual countries. Available evidence, however, suggests that Tanzania's real rural living standards declined at an annual rate of 2.5% from 1969 to 1983, urban real wages fell by a drastic 65% over the same period. Real private per capita consumption has fallen by 43% since 1973 (World Bank, 1990). The likely effect of structural adjustment on incomes in Tanzania and elsewhere is explored later. Trends in the incidence of poverty in Nigeria with a quarter of African population have fluctuated rather than declining. In the 1970's, with the oil price increases, per capita consumption and incomes increased, but with the oil price decline in the 1980's, consumption fell by 7% annually. Nigeria did not make use of its substantial oil revenues to achieve a sustained rate of broad based economic growth as did Indonesia (Gelb). The evidence on caloric intake showed no improvement between 1952 and 1985 (World Bank, 1990). Even in Kenya, which has had a relatively better record of economic growth, the FAO estimated per capita food availability of 2013 calories and 54.6 grams of protein per day for 1979-81. Using a similar methodology, the World Bank estimates for 1987-88 of 1800 calories and 52 grams of protein indicate that per capita food availabilities may have declined by 10% over the decade.

2.02 Despite rapidly rising food imports, a declining per capita food availability in Kenya and elsewhere is due in part to the high rate of population growth. In addition, African countries have experienced little, if any, growth in agricultural productivity. Much of the growth in food and other agricultural production has come from area expansion to marginal lands, or lands previously under forests and grasslands. Population pressure has also reduced the fallow period, causing declining soil fertility.

2.04 Malnutrition is a serious problem in Africa. Two broad regional patterns of malnutrition have been noted: in West Africa malnutrition in Burkina Faso, Ghana, Togo and Benin rose sharply in the first half of the 1980's then declined until 1986, and is on the ascendancy since. In Ethiopia, Niger, Rwanda, and Madagascar malnutrition has shown a more persistent rising trend (World Bank 1990a). Surveys indicate that in Malawi over 35-50% of children under five years are classified as malnourished. Some of the recent information from food security studies in Malawi suggest that nearly 70% of the households in the Southern region of Malawi run out of food months before the next harvest season. These data mean that apart from a renewed emphasis on food production by the poor, the process of liberalization of food markets must also be considered from the viewpoint of ensuring stability of prices and supplies. The poor spend nearly 80% of their income on food, most of which they purchase in the market. Increased food prices therefore have major adverse effect on their welfare. Until now, far too much reliance has been placed on the use of high producer prices as a means to increase production without considering its adverse effect on consumption. Much greater reliance will need to be placed in the future on improvement in technology as a means of increasing production.

2.05 Given the state of nutrition, it is not surprising that life expectancy in Sub-Saharan Africa is only 54 years compared to the average of 62 years for all developing countries. In other social indicators as well, Sub-Saharan Africa is behind most other regions in the developing world. The under five mortality rate is 196 per 1000 for Sub-Saharan Africa, compared to 172 for South Asia and 56 for East Asia. In Asia, only India with under five mortality rate of 200, has a high rate comparable to Africa's. While China and other countries in East Asia and Latin America have achieved primary school enrollments in excess of 90% of the age group, the enrollment rate in Sub-Saharan Africa is a low 56%. Even in South Asia, which lags behind the rest of Asia, the rate is 74% and for India it is 81%.

2.06 Notwithstanding the recent decline in urban living standards experienced in most African countries, poverty in Africa is predominantly a rural phenomenon. In 1980, 86% of the rural population in Cote d'Ivoire, 80% in Ghana and 96% in Kenya were categorized as poor (WDR. 1990). Although up to 60% to 80% of the income of the poor is derived from wage employment outside one's own farm, sectorially, poverty is reported to be concentrated in agriculture, followed by the informal sector. Within agriculture, higher incidence of poverty is recorded for food crop producers than those who produce both food and export crops. Nomadic cattle herding populations that tend to have the least political representation also tend, on average to be poorer economically than settled populations cultivating crops, although there is much skewness of income and wealth among cattle herders. There is also growing evidence of increased absentee ownership of cattle by urban elite with the traditional herders mainly becoming wage earning managers. Similarly, there is growing evidence of social differentiation among producers. A small body of commercially oriented crop producers and livestock owners are contributing to the marketed surplus. A large body of the peasantry is experiencing a gradual but certain process of immiseration. The access to land is constrained by a complex set of customary laws that restricts the ownership of land, based on cultural, ethnic or gender issues as well as by political factors. The land, population growth and the environmental dynamics raise sociopolitically sensitive issues which need to be addressed in policy.

2.07 Cattle herding, and food and export cropping patterns are of course determined by rainfall. Therefore a North-South pattern is noted in the incidence of poverty. Using the physical quality of life index (PQU), UNICEF, (1984) estimated that the incidence of absolute poverty in Ghana is highest in the Northern and Upper Regions. A similar pattern is identified in Cameroon Senegal, Nigeria and the Cote d'Ivoire. Improvements of pastoral households have received little attention from donors after the initial spate of failure of livestock ranching projects in the 1970's. For instance, less than 5% of lending by the World Bank in the 1970's went to livestock development. Low incomes and adverse climatic conditions mean that susceptibility to drought and other risks arising from frequent famines, including from the depletion of cattle herd, is greater in the Sahelian than in the Sudano Sahelian or the Sudanian zones. In Kenya, also connected with rainfall, lower average incomes have been documented in the relatively more arid Western and Nyanza provinces, which account for 60% of those suffering from food poverty (World Bank, 1990 KFNP). The regional concentration of poverty means that:

- 1) long run policies should be pursued which would promote growth and migration into the areas of relatively high physical productive potential, and

- 2) in the short and medium run, the public sector must play an active role in stabilizing food supplies and prices in areas where susceptibility of populations to climatically induced shortages is acute and frequent.

2.08 Incidence of poverty is lower in urban areas where rapid growth of government and industrialization policies expanded employment in the formal sector at unsustainably high wage and employment rates, although recent reductions in public expenditures and wage employment have also swollen the ranks of the poor, mostly by increasing the size of the informal sector. As a result of artificially pegged wages and employment, the rate of urbanization has been far more rapid in Africa than in other regions of the world. In 1965, the urban population was reported to be 14% of the total; by 1985, the reported urban share had constituted 28 % of the total (World Bank, 1990a). with urban population growing at an annual average rate of 5.8% between 1965 and 1980, and the rate accelerating to 6.2% in the 1980's. In contrast, in South Asia the rate of urbanization stagnated at 4% and in the Caribbean and Latin American region the rate of growth in the urban population declined.

2.09 It needs no stressing the high rural-urban migration in Africa is a reflection of the low levels of opportunities for employment as well as low levels of social services in the rural areas. Migration to urban areas undoubtedly reflects possibilities for improved family income and welfare. However the predominantly male migration has also had far reaching social effects, including breakdown of families, and poor health of rural women and children, in turn leading to a desire for large number of births. Data suggest that the incidence of AIDS is several times higher in urban than in rural areas. There is a growing danger that the already limited budgets allocated to health services in rural Africa will be preempted by the needs to deal with AIDS, while the chronic problems of malaria, cholera, etc. that are prevalent in rural areas will remain unattended. It is an issue which needs attention for designing effective future policies.

Women and poverty in Africa

3.01 Women headed households tend to be disproportionately represented in the poverty group. There is evidence that women headed households are on the increase especially in Southern and Eastern Africa (Buvinic and Lycette). Such households tend to be smaller and their composition is dominated by dependent children, frequently born out of wedlock and therefore without the benefit of a stable family. Women often do not have right to cultivate land, and earn their living primarily by selling their labor. Even women with access to land are mainly

producers of food crops. They work long hours at low remunerative wages. Their lack of collateral limits their ability to obtain institutional credit and other modern inputs, and to adopt new innovations. Extension agents often have little contact with female farmers. Data on education show a disparity between educational attainment of females compared to males. In 1980, the literacy rate of women was only 60% of that of men. Enrollment at all levels of education was lower for women than men. The good news is that progress in female enrollment in primary schools has been more rapid than that of men, and improved from a low of 30 % of the total to 57 % in 1987 (WDR, 1990a). However, at the secondary and tertiary levels, females still lag behind men.

3.02 The link between women's educational level, and the quality and productivity of the labor force through effects on the quality of child care and reduction in the fertility rates, is well established and has clear implications for a population and human resource policy. The social return to primary education is known to be higher than for higher education. Empirical evidence from Kenya, Brazil, Korea and Nepal indicates that in the presence of complementary inputs farmers with four years of education on the average improved productivity by 13.2% and even when complementary inputs were not available, significant productivity improvement was achieved (World Bank, 1980). We have already pointed out that the high and accelerated rates of growth of population have caused a sharp reduction in per capita incomes and the growing incidence of poverty. Some initial acceleration in the rates of growth of population occurred as a result of success of public health campaigns, e.g. the eradication of malaria and cholera, leading to decline in the infant and child mortality, and death rates in general. "However, the long delay in the drop in fertility rates is related to the poor, or no access of women and children to basic amenities of life. The link between good health and the capacity of a child to learn has been documented in a number of studies. Low cognitive performance has been associated with protein energy malnutrition in Kenya, China and India. Micronutrient supplementation in primary school children in Thailand and Indonesia has been shown to improve test scores. Other benefits of education, better health and fertility reduction have been shown to exist for women.

3.03 Poor health, inadequate education, unclean water, shortage of food and malnutrition increase the incidence of infant and child mortality, in turn increasing the desire for larger families as a cushion against social insecurity and old age. Low productivity of labor in agriculture and rural activities in situations of extreme reliance on handhoe cultivation also increases the demand for children as a means of increasing the supply of labor in fanning, fetching water and fuel wood, in minding cattle and transporting the small surplus to the market. Whereas only about half of the value added in smallholder agriculture in Asia is by labor,

in most African countries the proportion is close to 80%, reflecting the low level of capitalization of agriculture. Quantity of children therefore becomes a substitute for their quality, leading to a spiralling vicious circle of poverty. The cost to the poor households of raising children tends to be low in relation to the benefits they derive from large families, in contrast to the situation in more advanced countries where the cost of schooling, health care and other activities of children often outweighs their benefit. The economic benefit of large families is not to deny the high cultural value placed on large families by African societies. Cultural preferences are however, themselves invariably related to the level of education of women and the other constraints faced by them.

Impact of Slow Growth on Poverty

4.01 Since a major part of the reason for the growing incidence of poverty in Africa is the slow growth of GDP the causes of slow growth must briefly be reviewed from the viewpoint of future policy. Whereas the African continent generally outperformed Asia in the 1960's and indeed was held as the model for Asia when the Asian continent faced a share of its difficulties, the reverse was true in the 1970's and 1980's. African GDP which had grown at an annual average rate of 5.9% between 1965-73, decelerated to 2.7% over the period 1973-80, and to only a 0.3% during 1980 to 1986. GDP declined by 1.1% in 1987, grew by 2.5% in 1988, and the preliminary estimate for growth for 1989 is 3.5% (WDR, 1990).

4.02 GDP performance is closely related to the growth of exports in small African economies in which trade plays an important part. Whereas minerals including oil have dominated exports of some countries, agricultural exports have been important in virtually all countries and they have been the real barometer of the health of the economy. Unlike mineral exports which can be realized by small enclave sectors, agricultural exports have traditionally come from a large number of small farmers. Production and processing of agricultural crops is a highly labor intensive phenomenon. Increasing the productivity of export crops is thus not only an important way of increasing exports but of creating employment, increasing incomes and reducing poverty.

4.03 It is now broadly agreed that Africa discriminated strongly against agriculture by implicit and explicit taxes on exports through an overvalued exchange rate which rendered export crop prices lower than they would otherwise have been. Export taxes became an important source of government revenue. Taxation on agricultural output caused resources to be shifted away from

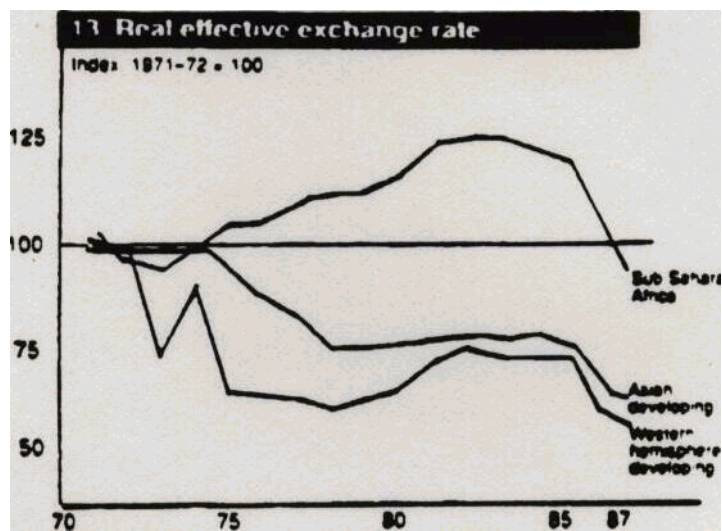
exportables to non-tradeables including food crops (Lele). Figure (1) shows that the trade weighted exchange rate which measures the extent of overvaluation indicated a strong appreciation of the exchange rate for Sub-Saharan African countries throughout the 1970's and early 1980's. At the same time, the index declined for the Asian and Western hemisphere developing countries. This situation reduced the competitiveness of African exports vis a vis other developing countries.

4.04 The emphasis on the neglect of export agriculture in the previous paragraphs should not be interpreted as suggesting that export agriculture should have been promoted at the cost of food crops. There has been a tendency to dichotomize the concern about export promotion and food production. Evidence suggests overwhelmingly that the two are highly complementary. Farmers concerned with food security of households frequently devote some resources to export crop production as a diversification strategy of increasing incomes and spreading risks of crop failure. An increase in the productivity of either food or export crops releases additional resources in the form of land and labor for the production of the other. Thus frequently low levels of land and labor productivity of major food crops prevent farmers from deploying resources for the production of high value export crops and vice versa. Many of the requirements for the development of food crop production, e.g. access to a transportation network, credit inputs, markets and technology are similar to those of export crops. The discrimination against the export crop sector thus reflected a more general neglect of smallholder agricultural production and productivity.

External Terms of Trade vs Internal Policies

4.05 Arguments raged in the early 1980's after the issuance of the Berg report by the World Bank about the relative roles of adverse external terms of trade and poor internal policies in explaining export growth of agriculture. The question of terms of trade behavior is of course complex, because the answers depend on the period under review, the choice of base and end years and the commodity composition of exports. Answers for individual countries must be different from those for the continent as a whole. Nevertheless, the World Bank's 1990 WDR has shown that, if a long period, beginning in the 1920's is considered, real primary commodity prices have not declined. In the more recent period, movements in Africa's overall terms of trade have been influenced by the dominance of oil. In the 1970's the oil exporters, many of whom are middle income countries, experienced favorable terms of trade, but in the 1980's they experienced a rapid deterioration. In the case of the oil importing and agricultural exporting countries, many of whom are low income "IDA" countries, the reverse was true. With the exception of 1975 and 1977 their terms of trade declined in the 1970's but remained flat in the 1980's.

Figure (1)



Source: The World Bank

4.06 Some important broadly agreed lessons need to be considered with regard to the old terms of trade debate from the viewpoint of implications for resuming growth and uprooting poverty. First, the same international price environment was interpreted differently by Africa and its competitors mostly in the developing world. Sub-Saharan Africa's share of major non-oil commodities in world exports fell by 2.4% annually in the 1970's but increased slightly in the 1980's. By contrast, Africa's competitors in Asia and Latin America gained shares in agricultural exports rapidly. Second, while primary commodity exporters experienced greater volatility in export earnings and government revenues than their manufacturing counterparts, they expanded government expenditures rapidly as if the commodity booms were permanent rather than transitory. Thus government expenditures as a percent of GDP increased from nearly a fifth in the early 1970's to well over a quarter by 1986 (IMF). Over the same period, the government incurred public sector deficits of 4% to 6% of GDP. Admittedly at an early stage of development in which governments must provide a variety of public goods which countries lack, e.g. roads, electricity, water, schools, etc., and which result in the development of markets and make private actors productive, requirements of government revenues can be considerable. Even with the rapid rise in government expenditures, however, the primary problem in Africa has not been so much the overall level of government expenditures as their allocation and quality.

4.07 Wages and salaries have constituted a rising and high share of total government expenditures in Africa relative to Asia. Not surprisingly, there were limited budgetary resources left to provide the necessary complementary operating and maintenance expenses to make public employees productive. As a result despite a rapid rise in special expenditures, effective social indicators have not improved commensurately. Moreover, bloated and inefficient marketing boards, the neglect of rural infrastructure including farm to market roads, and little or no attention to agricultural technology and its extension have affected the growth of the export sector adversely.

4.08 Government subsidized services have mainly benefitted the relatively better off urban populations leaving few resources for the provision of primary education. In Sub-Saharan Africa subsidy on education is estimated to increase sharply from a low of \$48 per primary pupil to \$233 per secondary student and \$2710 at the tertiary level (World Bank, 1990a). Similarly, expenditures on hospitals in the capital cities have expanded rapidly while rural clinics have experienced shortages of medicines. In Ghana the bulk of the Ministry of Health budget has been directed at curative care that serves the urban one-third of the population. Even Tanzania which

has had a strong commitment to broadbased development allocated only 5.9 per cent of the 1988-89 health budget for preventive health services (World Bank, 1990a). Such urban bias existed before the process of structural adjustment began and has reflected the political influence of vocal urban populations.

4.09 Growth in government expenditures was predicated on the expectations of the favorable terms of trade and continued levels of foreign aid. As both these faltered in the later 1970's, governments increasingly resorted to external borrowing to sustain expenditures. The growth in real interest rates in the latter part of the 1970's and the 1980's have contributed to the growing service obligation. The debt burden has increased dramatically since the mid 1970's. In 1975 debt disbursed and outstanding was \$20 billion and by 1987 this had risen to \$128.8 billion. Debt service payment as a percentage of total exports increased from 7 percent in 1975 to over 25 percent in the mid 1980's. In 1986 debt service obligations amounted to 45 percent of Sub-Saharan Africa's export earnings (World Bank, 1989). Without some debt rescheduling it is difficult to know where the resources for poverty alleviation will come from. However, debt rescheduling alone is not sufficient. A necessary condition is for the governments to get their house in order by

- 1) maintaining a level of expenditures on a long term basis consistent with the level of domestic resources and external aid that can be realistically expected,
- 2) controlling the level of government budget deficits
- 3) improving its balance between a) salaries and wages vs. maintenance and operations, b) urban and rural sectors and c) social and industrial sector investments.

Export Crop Pessimism. Smallholder Development and Overall Economic Diversification and Modernization: Some Empirical Examples

5.01 Countries that attempted to diversify out of agricultural exports by industrialization through acute import substitution policies were paradoxically the least successful in reducing the importance of agriculture, in contrast to countries who encouraged agricultural production and exports (Lele and Agarwal). Thus Tanzania pursued a policy of development of heavy industry and agroprocessing. In spite of the strong emphasis on industrialization the share of agriculture in GDP increased from 41% in 1967-73 to 58% in 1985. Ghana, Nigeria, Zambia,

and Senegal among others, typified countries which launched import substitution industrialization strategies in the 1970's. Besides losing revenue from the foregone production in the export sector, import substituting industrialization policies limited labor absorption and did not enhance the income earning potential for the poor.

5.02 The contrasting case of Chile and Zambia are worth noting. Both countries were confronted with high volatility in the export price of their dominant export, copper. However through the pursuit of its comparative advantage in producing copper, including avoidance of Dutch disease, by maintaining a competitive exchange rate, and control of public expenditures, Chile has been able to diversify its export base including achieving a rapid growth in agricultural based exports. Zambia on the other hand allowed the copper sector to generate a chronic case of the Dutch disease, encouraged the strong labor unions to build a large base of high wages and food subsidies leading to growth of public expenditures, overvaluation of the currency and a stagnation in agriculture. In Zambia the share of agriculture in GDP remained constant at 14%, manufacturing share grew from 6% in 1965 to 25% in 1988, and the share of services grew from 32% to 43% over the same period. The share of the mining sector in GDP fell. By some criteria economic transformation has occurred in Zambia i.e. from an agrarian to an industrialized economy, however, over the past two decades, per capita incomes have been declining.

5.03 The lesson is that even though primary commodity production for export may seem less promising, the route to industrialization lies in pursuing comparative advantage. At early stages of development this means in most cases in agriculture. There is strong congruence between playing to one's comparative advantage - promoting export led policies, broadbased agricultural growth of food and export crops and reduction of poverty.

5.04 That simply pursuing an agricultural export led growth without encouraging broadbased smallholder production is not sufficient to reduce poverty is shown by the contrasting strategies pursued by Kenya and Malawi (Lele and Agrawal). Both followed export led development strategies and have experienced impressive growths for their agricultural export volumes. However, because Kenya's growth path involved a smallholder strategy that allowed their access to land, the rights to grow tea and coffee and to earn international prices for their crops, the gains from growth were broadly distributed and moreover, dependence on tea and coffee was reduced through diversification by small farmers into high value horticultural crops. Kenya's approach led to a rapid overall growth in GDP. The share of agriculture in GDP has fallen as the country developed. Accompanying the growth in GDP was also a rapid growth in employment in both agriculture the non-agricultural sector. Despite the high rate of population

growth, real rural wages did not fall in Kenya to a degree predicted earlier, as they have in Malawi. Broadbased participation by smallholders coupled with substantial expansion of investment in the social sectors, especially in primary and secondary education had a salutary effect on keeping children in school and increasing the reservation price of labor by increasing its opportunity costs. A broadbased smallholder strategy has also had major multiplier effects throughout the economy by increasing saving and investment rates. Kenya (like India) has one of the highest rates of savings - nearly 20% of GDP, a great deal of which is undertaken by rural households. Such savings are invested in a variety of enterprises leading to growth of small towns. An expanding non-farm sector and growth of small towns in turn reinforce agricultural growth. Empirical evidence on Kenya (World Bank, 1982) indicates that rural to urban migration is dominated by households with education who invest their non-farm income into smallholder agriculture by financing increased use of labor and purchased inputs in support of adoption of modern innovations. Kenya's overall success in poverty reduction does not mean that the absolute number of the poor living in poverty has not increased. But their proportion in the total population is not as high as it would have been, if not for Kenya's policies of broad-based agricultural growth based on a combination of price and non-price incentives and investment in the social sectors.

5.05 In the case of Malawi, growth in export performance was due mainly to output from estate production. Originally, estates were confined to very large producers although in recent years there has been a rapid growth in small estates and tenancy farming. Issuance of licenses to grow the high value tobacco, tea and coffee were restricted to estates. Estates can sell their tobacco in auctions at close to world market prices, whereas the certain kinds of low value tobacco that the smallholders are allowed to grow are restricted to being sold to the state marketing board ADMARC at near half to a third of the auction price.

5.06 Restrictions on growing of high value crops and low prices paid to small farmers in Malawi has curtailed incomes and demand of the smallholder population, aborting any growth linkages from agriculture to the rest of the economy. Low public investment in education has also contributed to the low reservation price of labor by increasing the supply of child labor. The low per capita incomes have also resulted in low and declining savings by rural households in Malawi.

5.07 The lessons from Kenya and Malawi are clear. The example of Kenya (and indeed that of successful smallholder development experience elsewhere in the world e.g. Taiwan, Japan Indonesia and India) shows the fundamental role of the government in the provision of basic public goods i.e. agricultural research and extension, rural feeder roads, schools, water points for people and cattle and indeed even support prices for agricultural commodities when an assured market is essential for the adoption of modern technology.

Role of the State: Its Nature and Evolution in Africa

6.01 Widespread concern about the growth of the government has led to a concomitant tendency to assume that the private and the non-governmental sectors will undertake many of the functions which government must perform. Therefore, the role of the state and its evolution in the post independence Africa is apt to consider at this stage.

6.02 In the post colonial Africa, governments introduced many unnecessary monopolies and inflexibilities which have resulted in widespread rent seeking by public officials. For example, while grain trade was supposed to be a dejure monopoly in most of eastern and southern African countries, de facto private markets already operated and a fixed producer and consumer price across seasons and regions for maize operated more in breach than in effect. Public monopoly of grain marketing however, greatly increased the budgetary costs as well as the risk of operation by the private trade. Public policy is thus arresting the growth of private enterprise.

In addition to displaying monopolistic tendencies, governments have also become more centralist whereas rural development requires highly location specific solutions, which decentralized governments can perform better. However administrative capacity and fiscal authority of local, district and regional governments have been greatly eroded, to undertake many vital functions. This explains why 9,300 kilometers of rural roads constructed with World Bank assistance of 300 million naira in Nigeria have had a tendency to revert to tracks in less than three years of their construction (Gavira, et al.). Even when governments decentralized administration as in Tanzania, they have in effect redistributed the centrally collected revenues as a means of exercising political control over competing regional interests. Growth of foreign aid as a primary source of public expenditures has increased the power of the central governments with whom donors deal exclusively. The role of the legislative and elected officials and grassroot leadership too has been minimal. There is abundant evidence to indicate that emergence of viable co-operatives with genuine grassroot leadership has been perceived by government

government in power as a threat and often discouraged systematically (Hanak and Loft). Furthermore, whereas de jure power has often been vested with the bureaucracies for policy formulation and implementation, in reality the state has often resided elsewhere. Its precise location has varied from country to country. Thus in Tanzania the Party became all powerful, in Nigeria the military, and in Malawi and Cameroon power has centered in the presidency. In virtually all countries the offices of President have become powerful with a decline in the power of the ministries of finance, agriculture, and education. Donors have tried to correct this bias in the course of structural adjustment by increasing the power of the finance ministries. However, by and large they have dealt with the problem, not by helping to improve functioning the normal governments, but rather by creating ad hoc structures and arrangements that have contributed to further weakening of the state, by robbing the normal ministries of the vital personnel and planning and implementing capacity. Moreover, much of real planning and implementation of donor programs is still done by external technical assistance, while a large number of highly trained and qualified Africans remain underutilized inside and outside their countries. It is a result of the need to approve adjustment and other loans in rapid succession to provide Africa the vital foreign exchange it often needs quickly. However, it explains the massive use of technical assistance referred to earlier which still leaves the problem of strengthening African governments unattended. It is no wonder then that while dismantling many of the structures created in the 1970's through adjustment programs in the 1980's, there still remains a major institutional void in Africa. Even the private and voluntary sectors on which much hope had been pinned have turned out to be much weaker to make an impact on the poverty problem on a global scale.

6.03 Which interest groups wield power and exercise influence on governments therefore require careful exploration on a country by country basis to determine the likely political support for putting in place effective development policies and to uproot poverty. One of the reasons why smallholder agricultural led strategy has had a stronger hold in Kenya is that its independence struggle was grounded in the rural sector revolving as it did around the issues of rights to land and to grow and sell export crops, rights which were previously denied to African farmers (Bates) Thus more of the political preconditions for an effective smallholder led strategy have been present to uproot poverty via growth in Kenya. This is in contrast to other countries where the political power has either been urban based as in Zambia, or occasionally narrowly based in the hands of those with large vested interests in land. This explains in part why the local and district governmental administrations and the legislature have been relatively stronger and the bureaucracy relatively more intact in Kenya than in several other African countries. This

is not to suggest that rent seeking is not rampant, nor that there is freedom of expression or an effective multi-party system in Kenya. Nor that there is an effective lobby of the poorest segment of the population who are bypassed in the normal development process.

Structural Adjustment and Uprooting of Poverty

7.01 We have already stressed why the adverse external environment and poor internal policies made structural adjustment necessary to resume growth at a rate sufficient for uprooting poverty. Well over 30 countries have bought this argument and pursued reform. Structural adjustment has required demand management, i.e. curtailment of the role of the government by reducing public expenditures and public employment involving reduction in both public consumption as well as investment. On the supply side, measures are designed to expand the supply of tradeables relative to non-tradeables by changing relative prices, in particular reforms in exchange rate, trade and pricing policies etc. Price reforms are complemented by non-price reforms including reduction of controls on the operation of the private sector, and active divestiture of some public sector activities.

7.02 What can we say about the impact of adjustment on the resumption of growth in countries that have adopted measures? This is too early to determine. First, compliance with the terms of agreement is difficult to establish, given the large number of conditions and lack of systematic empirical information. For example, there were 70 conditions in the first structural adjustment loan in Kenya. While efforts have been made to simplify loan conditions and to focus them on individual sectors, the adjustment programs tend still to be too complex all encompassing and unrealistic in terms of what can be achieved in a short period. Second, aid flows from bilateral and multilateral donors have shifted in favor of reforming countries making it difficult to separate out the effects of returns to reforms, from those to additional resources which enable greater imports. Third, unforeseen external events, e.g. changes in the prices of primary commodities, droughts, and refugee problems caused by war and famines, have made it difficult to stick with original intentions or to separate out the effects of adjustment. Finally, several preliminary reviews of reforms suggest that most governments have not had the necessary political strength to implement reforms which affect the status quo.

7.03 Studies undertaken in the World Bank conclude that reforming countries have performed better than non-reforming countries. The economic indicators prepared by the World Bank and presented in table 1) seem to confirm the conclusion e.g. growth in agricultural

Table (1)

Summary of economic performance indicators
(average annual percentage change unless
indicated otherwise)

Indicator	Period	Countries affected by strong shocks			
		All countries	With strong reform programs	With weak or no reform programs	With strong reform programs
Growth of GDP (Constant 1980 prices)	1980-84	1.4	1.5	1.2	0.7
	1985-87	2.8	2.7	3.8	1.5
Agricultural production	1980-84	1.1	1.3	1.4	1.8
	1985-87	2.6	1.5	3.4	2.6
Growth of export volume	1980-84	-1.3 (-11.0)	-3.1 (-0.9)	-0.7 (-4.7)	-5.7 (-2.1)
	1985-87	4.2 (-2.0)	0.2 (-2.5)	4.9 (3.5)	-3.3 (-6.0)
Growth of import volume excluding oil exporters	1985-87	1.7 (-7.7) 4.8 (6.8)	-2.7 (-3.0)	6.1 (7.4)	-4.0 (-2.2)
Growth of real domestic Investment	1980-84	-8.1	-3.7	-3.5	-7.0
	1985-87	-0.9	-7.0	1.9	-4.8
Gross domestic savings (percentage of GDP)	1982-84	9.9	2.3	7.8	0.9
	1986-87	10.7	6.0	10.7	5.6
Growth of per capita Consumption (real)	1980-84	-2.3	-1.1	-2.4	-1.5
	1985-87	-0.4	-0.5	0.7	-0.9

Source: The World Bank

Note: Country coverage varies by depending on available data over the entire period covered. Averages are unweighted except as noted. Growth rates are computed using least squares. Periods are inclusive. Figures in parentheses are weighted averages of country growth rates based on total values summed across countries.

production doubled for adjusting countries, export volumes improved more and the decline in real domestic investments was arrested and even showed signs of growing. GDP growth was also slightly better for countries that adopted reform programs. However, it is too early to confirm if adjustment has resulted in rapid growth as claimed, especially the extent to which growth has resulted from genuine improvement in the efficiency of resource allocation as distinct from additional resources available for investment through external aid. Second, the growth in many cases has simply meant resuming earlier peaks in production. Weather has also played a part. Finally, World Bank studies only provide a macroeconomic view of the reforming countries. The distributional impact of adjustment policies is yet to be assessed. Since only a few studies have been done on the distributional impact, one can only speculate on how the instruments typically employed in structural adjustment programs affect the welfare of the poor directly through growth and through affecting prices and access of goods and services they might consume.

7.04 The impact of a devaluation will have a differential effect on different households depending on the kinds of output they produce, i.e. whether tradeables or non-tradeables, the household income and consumption patterns, the extent to which they use imported items and whether they are located in rural or urban areas. A devaluation causes the internal terms of trade to favor export agriculture. A similar effect occurs when trade is liberalized and export taxes are removed. Thus, provided smallholders are the major producers of export crops, adjustment should be expected to have a particularly positive effect on rural poverty both by directly increasing the incomes of rural producers who are often not the poorest as we pointed in the introduction, and through them by creating a strong demand for wage labor in the rural and semi urban areas. However, increased cost of imported inputs and transportation, both of which tend to be highly import intensive in Africa erode some of these benefits.

7.05 The price effects on food crop producers are less clear. The cost of food imports increases due to devaluation. Liberalization of grain markets, removal of food subsidies and restriction on governments as to the level of stocks they hold in reserve, or where and how much grain they purchase and undertake retail distribution of grain in rural areas are all actions intended to reduce budget deficit and/or contain growth in money supply caused by the costly operations and to increase markets and prices of food as a way to improve producer incentives. The budgetary and deflationary impact of reduced operations of marketing boards are clear enough. The effects on getting underway a sustained increase in food and agriculture or on consumption of the poor by no means empirically established as yet. There is not a country

in the world which has successfully developed its agriculture without some role for the government in assuring markets for basic commodities. The main question is how to perform this function cost effectively. This is an issue which could use further analysis by examining experience of countries elsewhere that have been particularly successful. For instance Indonesia's Bulong stabilizes rice prices at a much lower level of stocks and fiscal costs than India's giant Food Corporation. Marketing boards relinquishing control of imports to the private sector has not always resulted in competition, instead transferring functions to a handful of politically powerful traders that have been able to gain import licenses and acquire control of retail distribution with adverse effects on consumer prices and poor households. While producers may be receiving higher prices they have lost the benefit of an assured market. Moreover, the evidence of weak supply response to price signals in African countries is due in part to rigidities in the marketing structure, lack of or poor state of rural infrastructure and lack of institutions to support both production and marketing. The effect of liberalization of markets on consumption of the poor, especially in remote rural areas i.e. nomadic households and food producing households in semi-arid areas, as well as those in the urban sector who have lost formal employment and swollen the ranks of the informal sector require much more attention. This issue is taken up in the recommendations.

7.06 An issue which also has the most direct bearing on the poor and which has received much attention is the effect of contractionary demand measures which might have necessitated across the board cuts in government expenditures. Hard empirical evidence on this issue is still very limited. A recent World Bank study indicates that contrary to the general perception, total real government expenditures increased in the 1980's, suffering only a temporary decline in 1984 (Ferroni and Kanbur, 1990). Although sectoral allocation of government expenditures to health education and agriculture maintained their historical levels, the intrasectorial allocation, of expenditures did not reflect an antipoverty focus. We have stressed in this paper that the urban bias in public expenditures has been strong in Africa even in the 1970's. Thus, it is not surprising that this bias may have continued, and it is misleading to attribute the continuation to the process of reform. This is not to suggest that the poverty problem does not need addressing urgently but rather to emphasize the need to address the more basic root causes of the problem, highlighted in this paper, including the lack of representation of the poor in the political and bureaucratic processes and systems of many countries.

7.07 It is clear that allocative efficiency with respect to poverty alleviation will be achieved if public sector spending is reallocated to reinforce services to:

- (1) areas where employment opportunities of the poor are the greatest, e.g. in small holder agriculture and livestock, the services that support that agriculture including in particular investment in technology, feeder and other roads, small scale processing and private and cooperative marketing of agricultural commodities, etc.
- (2) Social sectors that impact on the lower income rural households.
- (3) Targeted groups identified as especially vulnerable.

Strategies for Enhancing Employment Opportunities

Land:

8.01 We have argued in this paper that access to land interpreted in the broadest sense has determined the opportunity cost of labor. The African Development Bank as a premier regional institution has an unusual advantage over its OECD counterparts in helping countries to address the land issue by developing land records, carrying out analysis and generating an informed debate among thoughtful Africans as to the way land policies should be addressed in the future to generate broadbased income and employment generation. This type of work is often less appealing than large scale, short term financing of employment programs to alleviate the perceived impact of structural adjustment. Therefore it does not receive the attention it needs, but it is urgently needed. Among the issues it could address are the effects of rapid population growth on land availability and land degradation including implications for protecting land rights and for investment, e.g. small scale irrigation, soil conservation, etc. to improve land quality. Another major issue is the way large farms or estate production may be causing land alienation by the well-to-do, former party functionaries and retired civil servants for large scale farming. Elitism in agriculture does afford agriculture a larger voice in the policy making process than it would otherwise. However the policies that result are not necessarily conducive for broadbased development. An example is when the rura elite or absentee farmers seek to maintain subsidies on tractors, as in Northern Nigeria, enabling them to intensify the use of tractors.

It causes:

- (1) lower demand for labor in production
- (2) skews incomes in favor of the few who are able to command the use of tractors services through the ministries of agriculture
- (3) preempts the few recurrent resources governments can devote to agriculture when the same resources could be used more productively, for instance, to increase the stability of funding for African researchers in the national agricultural research systems to improve the state of technology for small farmers.

8.02 Evidence abounds that shortage of operating recurrent budget rather than the shortage of donor support has been a major constraint to the functioning of the national research systems. The budgetary restraints imposed by structural adjustments has worsened the plight of these national systems, because there is weak constituency in African governments for the support of African science and technology for the small scale fanner, than there is for protecting subsidized use of inputs that benefit large fanners.

8.03 An argument against subsidies for tractors is not intended to suggest that all forms of mechanization should be rejected in a situation where surplus land exists and labor shortages constrain agricultural intensification. Large tractors however, tend to allow extensive land use in the midst of growing population pressure. In contrast, broadbased "capitalization" of agriculture in the form of simple tools and implements, and improved biological and chemical inputs increase labor use and productivity in agriculture. Asian countries are the powerhouse of such intermediate technology. A combination of tied foreign aid, and an attraction of "advanced technology" among African policy makers has however, resulted in much underutilization of the vast potential for the use of intermediate technology in Africa. The African Development Bank can take a major initiative in facilitating such a transfer of technology from Asia to Africa.

Purchased Inputs:

8.04 Access to purchased inputs is another area where a poverty sensitive policy is urgently needed. Fertilizer and unproved seeds are the easiest and most scale neutral inputs to raise agricultural productivity. Privatization of fertilizer distribution and generally ensuring institutional pluralism in the sale of inputs is a salutary development. It will increase services in the areas where demand is already well established e.g. in the high potential areas. However the access of the poor to these inputs is limited by the high costs of inputs as well as the high risks in returns under conditions of low and variable rainfall. Technologies for the arid and semi-arid areas where many poor reside are less well established in terms of their profitability or certainty. Trade is not necessarily competitive in such often remote areas, especially where the effective demand for inputs is limited. Whereas there is the need to remove most subsidies on factors of production and to liberalize input and credit markets, governments will have to play an active role in targeting concessionary sales to targeted poor groups. This could perhaps be done by the public sector providing subsidized transport of bulk inputs to remote areas and leaving their retail sale and distribution to private and cooperative sectors. Such "subsidization" of distribution which allows the poor to increase their food production will be more cost effective in budgetary terms and will minimize the need for the public sector to undertake retail distribution of food to vulnerable groups in those areas where market dependence in domestic food consumption is high and the sources of supply of food are few and uncertain. Input distribution may however, not be a complete substitute for concessionary distribution of food.

Credit

8.05 There are positive examples in Africa of the extent to which ready availability of cash e.g., through remittances from the urban sector, has assisted the hiring of more labor in the intensification of agriculture, and the extent to which lack of cash has been a constraint to increasing use of labor and other inputs. Institutional credit has played an important role in alleviating a cash flow constraint in modernizing agriculture in most parts of the world. And yet when the need for intensification of agriculture is the most urgent in Africa there is a widespread and understandable disenchantment with the use of institutional credit. The reasons include the tendency of the governments to subsidize interest rates and the indiscriminate growth of inadequately supervised credit, inadequate repayment rates by large producers who are usually the beneficiaries of the subsidized credit and the consequent erosion of the financial capital of credit institutions. At the same time countries with a broad-based pattern of dynamic agriculture

such as India and Kenya have tended to have high rural saving rates by low income households. Evidence from Malawi also shows that the poor households can have a high rate of credit repayment, if credit is well administered and highly supervised.

8.06 The challenge is to develop organizational means to mobilize those rural savings, and to deploy them directly for the benefit of the rural poor rather than being siphoned off through the banking system for the benefit of the large farmers and the urban elite as is currently the case. Experiments with "susus" and "tontines" in West Africa with their creativity and flexibility have shown the potential that exists in the informal sector for generating savings. The Grameen Bank in Bangladesh is however perhaps the only example where banking has been developed solely for the benefit of the poor on a large scale. This has required dynamic indigenous leadership by a dedicated individual, as well as the use of subsidies which are carefully administered to make the process of developing a financial market for the poor viable in the long run. There are already some attempts in Africa to learn from the Grameen Bank experience. The African Development Bank needs to help nurture traditional local saving institutions as well as local leaders committed to deploying these institutions for the benefit of the poor, while expanding the knowledge of the ingredients of success of experiments such as those in Bangladesh, Malawi and elsewhere. It is generally recognized by experts in the financial sectors of Africa that the usual market oriented price factors such as the liberalization of interest rates etc. while essential to improve financial discipline and in the long run to augment resource mobilization are relatively dull instruments to mobilize and deploy savings productively due to the early stages of development of the African financial markets. A variety of nonprice interventions would thus be essential to ensure that credit is available to poor agricultural and trading households in the rural sector.

Marketing facilities that serve the rural poor

8.07 Evidence of monopsonist situations in rural areas may serve to preclude certain sections of the rural population from responding to higher price incentives for tradeables. Improving rural market organizations including encouraging grassroot cooperatives could serve to break the monopsonist log jam. Competitive markets however only ensure that food supplies go to the areas where households command incomes. Private traders may not hold enough stocks of food and fertilizers across years to meet shortages of poor households. For this reason, the role of the government in retail public distribution of food at affordable prices to specifically all designated target groups needs urgent reconsideration.

Infrastructure

8.08 Rural infrastructure development needs to be accorded top priority. Rehabilitation and maintenance of rural roads is essential for transporting the expected surplus to markets; incidents of agricultural produce rotting in remote parts of a country for lack of roads or impassable roads are common place in Africa. Knowledge by the small farmer that agricultural output will be able to reach markets is an incentive to boost production. It should be noted that transportation costs constitute a large proportion of marketing margins in Africa. Thus, providing new roads to serve remote producing regions could elicit a greater supply response, cause to integrate rural and urban markets and reduce the price spread between producers and consumers. If the small rural farmer can command a large portion of the retail value of his or her produce, his or her income would be enhanced. Since lack of capacity of local governments to plan, implement and especially maintain feeder roads has been a major problem, ADB can plan a major role in addressing the issues of strengthening the capacity of local, district and regional governments.

8.09. Maintaining water and irrigation systems should also be top priority as irrigation allows double and triple cropping and is highly employment intensive. Small and medium scale irrigation rather than the high cost large dams may be the way to raise the yield of agricultural production in many parts of Africa especially in the arid regions where moisture is the primary limiting factor in production. Irrigation will also afford intensification of production and reduce the pressure on extensive use of land for increasing production. The Bura irrigation scheme in Kenya is an example of the wasted donor and country resources in an otherwise well managed agricultural sector. The small scale surface and tubewell irrigation introduced by the World Bank in Northern Nigeria, based on the use of intermediate technology, is an example of a successful case of technology transfer in an agricultural sector which is less well managed than Kenya's. In both cases the type of technical assistance the two countries received determined the quality of technology transferred. (See Lele and Subramaniam)

Research and extension:

8.10 Both the integrated rural development projects of the 1970s and the structural adjustment programs of the 1980's have overlooked the fundamental importance of science and technology in the generation of appropriate technology to suit the constraints faced by small farmers. Agricultural research and extension should be given top priority to increase the productivity and incomes of rural poor. In Africa, on-the-shelf bio-technology suited to the

resources of small farmers and appropriate for the diverse ecological situations is still limited. The high turnover of African scientists caused by a poor research environment, low and unpredictable budgets and a lack of clearly defined research priorities, combined with an absence of a scientific environment in which output of research is assessed, have been associated with heavy and rapidly turning expatriate technical assistance and an emphasis on buildings and equipment rather than on the management of the research systems. Far too many of the precious resources have been devoted by donors and governments on extension in a situation when budgets of ministries of agriculture have been contracting under heavy pressure of structural adjustment. More objective evaluation of extension programs such as that being initiated by the World Bank on T&V extension should be undertaken to determine the relative resources that should be allocated to extension vis a vis other expenditures, e.g. rural roads, input supply and market development.

Social Services

Education:

9.01 Shortage of trained personnel make implementation of poverty programs difficult given their need of highly skilled and trained personnel. Educational priorities in the face of cuts in government spending should be to achieve a balance between universal primary education and secondary and higher education. People who benefit from higher education must be made to contribute a larger share of the cost, perhaps through a loan scheme or service to the country at lower than normal pay. The savings arising from this source could be used to expand and enhance the quality of primary and secondary education. Vocational education would need to be targeted to vulnerable groups such as displaced workers in the urban sector and women, to enhance their employability and earnings in the informal sector.

Health:

9.02 In prioritizing expenditures in the health sector emphasis should be placed on providing primary and preventive health care as opposed to hospital based care. Immunization programs for children are more cost effective in the long run than curative care. The importance of preventive programs that achieve an exhaustive coverage is critical in light of the devastation that has accompanied epidemics such as outbreaks of meningitis, and guinea worms. Endemic diseases like river blindness and sleeping sickness have prevented large areas of the hinterland from being cultivated. The eradication of the tsetse fly in large parts of Africa has enabled livestock production to be income earning in those areas. Similarly, the resettlement of "oncho" infested areas in parts of West Africa has been the result of checking the simulium fly that transmits the parasite.

9.03 Public health services will need to be targeted to reach the very needy. Delivery of subsidized health services through public health centers have been found to be effective in their coverage. However, with the poor state of these facilities in many countries and also lack of facilities in remote areas, this avenue of health service delivery is of limited effective use. Alternative means of delivering health services to the rural areas would involve increasing emphasis in using community health workers who reside in the rural communities. Training for community health workers may be needed in most countries in order for them to be effective and for the rural clients to have confidence in them to use their services.

Intervention in Special Cases

10.01 While the strategies discussed above are expected to induce growth in the economy and impact positively on the poor, there still are situations where any benefits of these programs would by-pass the very poor. This may be due to their lack of capital, illiteracy, or geographical isolation. Also, in time of emergencies such as droughts, war, political upheavals and mass migrations the poor suffer disproportionately to other sections of the population. Their economic situation deteriorates and their ability to adequately meet their nutritional requirements is curtailed. Such situations while temporary have become all too common in Africa. They require extraordinary responses from governments to prevent catastrophic consequences. For such disadvantaged people there is the need to effect transfers either in kind or monetary aid in the alleviation of their poverty.

Chronic Food Poverty:

10.02 In the case of chronic food poverty, direct food transfers are needed to alleviate the problem. To be effective, subsidized food aid should be targeted to the intended recipients instead of imposing a general subsidy. The subsidy should be placed on food that is easily identified as that which is consumed by the poor. A thorough knowledge of the consumption patterns of the poor is needed to design an effective food targeting program. Often foods presumed to be consumed by the rich in reality are consumed by the poor. In Senegal, for instance, rice believed to be the rich man's food has been shown to be important in the consumption of the poor due to the relative ease of cooking or buying cooked rice compared to sorghum (Delgado and Reardon). Recommendations to raise the price of rice have been shown to have an adverse effect on the incomes of the poor. The case of Egypt is a good example

of food subsidy being effectively targeted to the poor by restricting the subsidy to coarse wheat flour which is consumed only by the poor. If the problem is one of inadequate incomes then cash transfers to raise the purchasing power of the poor may be needed. The problem of misdirecting cash transfers to consumption of less desirable items should be of concern and appropriate strategies should be taken to ensure proper use of transfers. Food stamps may be one means to remedy this situation.

Food Policies in Famines:

10.03 Large infusion of food may be needed at short notice. A well developed food trade and distribution system is essential to effectively respond to this situation and swift and decisive action by the government either to release food stocks e.g. as was done in Zimbabwe or bring in imports as in Kenya in 1984 may save an otherwise bad situation. Direct feeding and food transfers coupled with cash transfers to restore purchasing power may be the way to go in crisis situations where food is available in other parts of the country. The case of drought and famine in Botswana in the 1980's and how it was managed serves as a good model of an effective and integrated approach to dealing with famine crises. The government combined large purchases of maize from South Africa and public work programs that enhanced rural incomes to attack famine. Effective distribution through private channels stabilized prices.

Public Employment Programs and Poverty Reduction:

10.04 Public employment programs have been used extensively in India to provide employment in rural areas that lack any employment opportunities for landless laborers and people who are normally excluded from regular employment. They are also an important way of generating productive assets. Such schemes may be instrumental in providing seasonal employment during the lean seasons in agricultural production. A major consideration in their design should be their labor intensiveness. However, care must be taken to avoid causing labor shortages during the peak demand for labor. Careful design of these programs would preclude the non-poor from participation; for example, wages must be low enough to make it unattractive to people with access to better paying jobs. For the very poor, their low health and poor nutritional status may pose an impediment for their participation and food supplementation program attached to the public works program may elicit the required response. Participation in public work programs by non traditional labor groups like women has implications for their earnings as well as the substitution they make in their time allocation for home work and outside work. Lack of proximity of such programs may be a major detriment for the participation by women. Also,

providing child care facilities will enhance women participation. It is important that the public good output emanating from these programs be beneficial to the local people -e.g. public roads that improve access to local markets or public health facilities. Thus, a locally needed project, part from providing employment to the poor will have second round benefits to the society at large. Public employment programs should not overly increase public expenditures of the government and cost effectiveness should be a paramount concern in their design and implementation.

Aid Related Issues:

11.01 Aid levels to Africa have been high in per capita terms ranging from \$35 to \$50 in nominal terms for over a decade compared to \$2 for China and India. In real terms however, aid levels have been stagnating. Moreover, the effective level of aid to Africa is far lower than nominal numbers suggest. A high proportion of aid is tied to goods and personnel from donor countries - both the technology and technical assistance associated with it is frequently more costly than it needs to be " more an employment program for the donor countries' industries and personnel, and its content is often inappropriate to Africa's factor proportions, availability of trained personnel, physical infrastructure and institutions. There is relatively little emphasis on training of personnel and developing indigenous institutions rather man on "getting the job done". A large amount of aid is thus misallocated in a variety of different ways and yields very link return. Results of a major study (Lele and Nabi) recently completed also, indicate that large quantities of aid have often had effects similar to those of commodity booms - they have contributed to the Dutch Disease phenomenon — helping to increase the size of the government and reducing the supply of tradeable goods. Aid has also been highly unstable in much the same way as commodity booms and instead of helping to stabilize the foreign exchange earnings of countries at an early stage of development, being driven by geopolitical considerations, aid levels and its programming have been difficult to predict. Indeed the study argues that recipients need to treat aid in much the same way as they should treat commodity booms - they should save and invest the earnings productively to accelerate growth.

11.02 Small amounts of well conceived aid has however had a tremendously positive role in increasing the capacity of recipient countries to plan and implement well conceived policies and development programs, the Green revolution in Asia being a classic example of the role played by external aid in accelerating the rate of growth of food production, virtually eliminating famines and greatly increasing physical and economic access of the population to food while also assisting in the industrialization process.

11.03 Donor agencies including the African Development Bank will serve African countries well if aid were given to support elements of broadly based long term development policies. Supporting long term programs of infrastructure development, agricultural input delivery systems, primary and preventive health care, and schools may serve the cause of poverty reduction better than exclusive emphasis on short term reform programs.

The Role of the African Development Bank:

12.01 The ADB should assume a leading role in galvanizing member countries to address the problems of economic growth in general and issues of poverty in particular. It should be instrumental in focussing ideas on die solutions to aid and development related problems it the regional and country specific levels. It should strengthen capacity to analyze long term development strategy issues as well as short term macroeconomic developments, to be incorporated in the design of recommendations for country programming. The bank staff should be sensitized to poverty issues in order to incorporate poverty concerns into the design of each country project or adjustment loan. To attain that level of sensitivity, the bank staff will require a strong information base to trace the link from the individual to the household and on to the macro level a thorough knowledge of the characteristics of the household as consumers, producers as well as suppliers of services to the economy, and to establish how macroeconomic and sectoral policies and programs affect them.

12.02 Lessons from the dismal performance of rural development projects in the 1970s is that to design appropriate, location specific interventions to complement reforms being undertaken at the macroeconomic and sectoral levels, requires substantial input from African professionals (social and physical scientists), voluntary agencies and African rural poor people themselves with a strong backing of their governments. Even the experience of the United States suggests that antipoverty programs do not always benefit the intended beneficiaries. Therefore a substantial emphasis should be placed on simple, quick and small household surveys geared directly to design interventions of these programs, to ensure that the design can be adjusted to address the problems that are encountered in the course of implementation, and there should be substantial flexibility in the implementation of these programs.

13.01 Conclusions

- (1) Poverty is mainly a rural phenomenon in Sub-Saharan Africa
- (2) To attack the high incidence of poverty requires:
 - (a) Rapid and broadbased overall economic growth through an effective development policy.
 - (b) A population and human resource policy which increases per capita growth.
 - (c) Special programs of action for those who are bypassed in the normal process of growth.
- (3) Broadbased agricultural growth strategies that employ intensively the rural poor are the best way to alleviate poverty. This implies assured access of the poor to productive factors of production such as land, credit and fertilizers. Also, an enabling environment through the provision of complementary services such as rural roads, irrigation infrastructure, markets, research and extension services are needed to accelerate growth.
- (4) Past policies of African governments were inimical to agricultural growth.
- (5) Public expenditures need also to be geared to providing basic social goods such as health care facilities, mass health intervention programs and emphasis on primary school education that ensure high quality of services while also allowing broad coverage of the people.
- (6) Transfers need to be effected to reach the very poor. Targeted interventions may be the best approach although this may be more difficult to implement than general subsidies, and tends to be highly intensive of detailed information and experienced personnel.
- (7) An effective overall strategy to uproot poverty requires a thorough knowledge of the interrelatedness of the various facets of macroeconomic policy, population policy, markets, and the microlevel constraints and potentials.
- (8) African Development Bank can help in a variety of ways outlined in this paper to uproot poverty.

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