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Exports must drive development
Focus:
Exports must drive developments

Regional integration
African countries do not necessarily benefit from membership to economic communities, as the Rwandan example shows. Alfred R. Bizoa and Eugenia Kayitesi from the think tank Institute of Policy Analysis and Research-Rwanda (IPAR-Rwanda) and Kacana Sipangule from PEGNet describe the challenges. Page 12

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A matter of power and interest
In Mozambique, foreign trade does not drive development, write Friedrich Kaufmann of the Southern African-German Chamber of Commerce and Industry and social economist Winfried Borowczak. Page 20

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Since the Rana Plaza tragedy in 2013, occupational safety in Bangladesh’s garment industry has not improved much, according to the author Nico Beckert. Page 23

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Wrong focuses
Christoph Kannengießer of the German-African Business Association wants donors to shift focus from fighting poverty to fostering engagement of private companies in Africa. According to Peter Nunnenkamp and Rainer Thiele from the Kiel Institute for the World Economy (IFW), more support for trade policy and regulations would make Aid for Trade more effective. Pages 30 and 33

Oil and development
Is oil wealth key to economic development – or does it hamper it? Economist Nassir Djafari analyses the relevant literature. Page 35

Editorial

Rough path

To many European consumers, the words “exports from developing countries” basically mean cheap clothes from Bangladesh and other low-income countries. The reason is that civil-society organisations and government agencies have been raising awareness of the exploitation of garment workers for years. It is true that western consumers can make a difference in this context, but other kinds of exports are relevant too.

To an excessive extent, the economies of developing countries are geared to exporting agricultural goods and natural resources. The countries concerned only rarely prosper. One reason is that they import processed and manufactured goods which are always more valuable than the raw materials they export. To thrive, an economy must literally “add value”. Compounding problems, however, commodity-driven economies tend to suffer especially bad governance. The reason is that small elites manage to grab control of the most important resources – land or oil, for example – and exploit the people.

Historical patterns tell us that industrialisation normally starts with garment production, which neither requires lots of capital nor sophisticated skills. However, the scenario of early industrialisation tends to be rather bleak, marked by the kind of brutal social hierarchies and poverty that Charles Dickens and Friedrich Engels witnessed in 19th century England.

Seamstresses work hard, but their pay tends to be very low. Their jobs are tough, but it is important to understand that the women would be worse off without them. That is true even though many companies do not obey laws concerning wages and occupational safety. The problem is that there are millions of desperately poor young women in the villages who would be happy to find any kind of employment. For things to improve in the garment industry, the country as a whole must develop.

Whether in Bangladesh or elsewhere, a flourishing garment sector is not an end in itself. It should become an engine that drives further development. As more industries grow and expand, an economy becomes more diversified, offers more opportunities and greater scope for innovation. More sources of wealth, moreover, mean more sources of power and less scope for authoritarian attitudes. Diversification matters. In theory, industrialisation is possible without integration into the world market. Empirically, however, that hardly ever happens. One reason is that technology transfer depends on international exchange. Foreign direct investment is particularly useful in this context. Even the world’s most populous country, China, did not manage to industrialise and diversify without tapping the potential of the world market.

For least-developed countries today, the challenges are even bigger. Their markets tend to be tiny, because their populations are small and lack purchasing power. To make investments in production capacities attractive, however, demand for manufactured goods needs to be ensured. In this context, regional integration makes sense. The point is that bigger markets enhance developmental opportunities while national borders can thwart them.

To escape poverty, a country needs a smart policy that facilitates economic diversification rather than merely protecting the interests of established elites. And it needs market access, especially in prosperous nations with considerable demand, so it can benefit from exports. This developmental path is rough, but it has worked out for many countries.
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Debate equality: law and reality diverge very often

Debate
Comments on the recent corruption scandal in Mozambique, the influence of education on terrorism in Bangladesh, a recent UNEP report on environmental crime and nature conservation in South Africa

Law and reality
In many African countries, men and women are now equal according to the law, but there is often a glaring difference between codified legal norms and reality. That is even so in South Africa, which has set path-breaking examples in many respects, states the scholar Rita Schäfer.

More organic farming in sub-Saharan Africa
Agronomists research how to boost agricultural output in southern Africa. Susanne Neubert who heads the Centre for Rural Development (SLE) at the Humboldt-University in Berlin explains why organic farming in sub-Saharan Africa is meaningful by citing current literature.

Debt crisis ahead
Mozambique’s most recent corruption scandal shows where excessive dependency on commodity exports leads to. However, a positive twist is still possible, according to Gina dos Reis of Grupo da Divida, a Mozambican civil-society organisation, and Jürgen Kaiser of the German debt-relief campaign erlassjahr.de.
Youth unemployment is a massive problem in Kenya, as a current book on the subject confirms. The 21 authors – 18 of them Kenyans – describe and discuss the issue, point to job opportunities and explain what needs to be done to improve the situation. The book was inspired by a research project that involved German and Kenyan students and was undertaken in Kenya in 2013.

A handcart trundles through Nairobi’s busy streets. A nuisance for motorists, certainly. But also a signal: an unemployed young man has set up in business – as a delivery man. Prior to that, he probably survived on casual jobs. No one can say exactly how many people are unemployed in Kenya. 32 % of the population are aged between 10 and 24; 78 % are under 35. Eight-hundred thousand school-leavers a year enter the labour market and few of them find work. An estimated 70 % of young people are jobless. That is an economic, political and social problem.

The authors of the book ‘Youth Unemployment in Kenya’ decry the institutional obstacles placed in young job-seekers’ path. But they also criticise the attitude of young people themselves, pointing out that many have poor communication skills, are unreliable and want to make quick money with little effort. That makes them unattractive to employers and is certainly a barrier to setting up in business. In short, the authors see the need for a stronger work ethic and life skills. They criticise the Kenyan education system for focusing on mindless memorisation and exam-oriented study rather than teaching students to understand, develop ideas and think for themselves. This – the authors point out – is a vital requirement for entrepreneurship.

The Kenyan education system is seen as an institution in need of radical reform. The authors argue that schools need to offer a comprehensive education for life, which includes preparing students adequately for working life. Kenya has technical schools that are supposed to provide vocational training. But they are too intellectual and lack practical relevance, the authors say. In Europe – it is pointed out – the countries that operate a dual vocational training system have the lowest rates of youth unemployment. One contributor thus presents a description of the German system of dual vocational education – for inspiration, not imitation.

Work opportunities
Kenya is one of the leaders in communications technology on the African continent (see interview pp. 18-19 and e-Paper D+C/E+Z 2016/06, pp. 34-35). The sector offers job prospects and attracts many young university graduates. But the opportunities are naturally limited, so the authors pin hopes on programmes that encourage young people to work in the agricultural sector – even if that is what they previously sought to escape. In the West of Kenya, for example, the Anglican Church runs a programme that pushes farming as a business opportunity. The programme’s objective is to overcome existing hurdles – and not least to persuade old farmers that it is time to hand over land for the younger generation to farm. Kenya needs enterprising farmers. The Mazingira Institute in Nairobi trains largely young women for the practice of ‘urban agriculture’. This means using small backyards or other patches of uncultivated urban land to grow vegetables or to rear chickens. Participants in the programme receive basic agricultural training and thus develop skills that enable them to make a modest living.

Because the chance of getting a job in the regular labour market is so minute – the authors report – young people have turned to the informal sector to try and make a living. Most cases of this occur in slum districts, which have developed an economic structure of their own. Improvisation, creativity and energy have gone into the establishment of small businesses that are capable of feeding a family. The tiny outdoor street-corner restaurant is cited as an example. It is part of what is known as the “jua kali” sector, which also includes fix-it services offered by carpenters, car mechanics and metalworkers as well as motorcycle taxi (boda boda) businesses, street stalls, water transport services and waste collection and recycling operations. The authors see this as evidence of the informal sector’s importance for the economy as a whole.

Graduates of Kenya’s numerous universities appear to have better employment opportunities than slum-dwellers, but, according to the authors, their privileged position is eroded by the quality of the education they receive. This is because they are totally unprepared for the labour market, which gives rise to frustration among employers and the young people alike. Two other youth groups are identified in the book as having specific problems in the job market: women and people with disabilities. They encounter prejudice – some of it rooted in tradition – and they are consequently exposed to exploitation and discrimination.

The Kenyan government is fully aware of the desperate plight of unemployed youth. The problem is largely systemic, which is why policymakers have launched various programmes aimed at creating employment opportunities for young people. For example, young entrepreneurs are given special consideration when public contracts are put out to tender. The state sets aside a substantial budget for youth development. One programme in place is supported by UN-Habitat and works through ‘one stop centres’ where young people can gain hands-on administrative and entrepreneurial experience; at the same time, they receive training and support in a number of areas, such as health care, administration, communications technology, environment and livelihood. The authors welcome the government programmes, but also criticise the major bureaucratic obstacles that have significantly undermined their success. They consider a well-crafted, coordinated national plan for youth employment to be essential.

One author complains that not enough is done to cater for young people’s reproductive health needs. This
is due to an insufficient budget, poorly equipped youth centres and a population policy out of step with the times. As a result, young people are exposed to the risks of HIV/AIDS, unplanned pregnancies and sexually transmitted diseases. A ray of hope for skilled youth is seen by a former assistant education minister in the opportunities for Kenya to respond to demand for highly skilled labour in other parts of the world. At present, however, this may sound like pie in the sky because Kenya itself is in need of well-trained skilled workers.

The book describes and discusses youth unemployment in Kenya from various angles and not just as a problem. It also highlights the creative and entrepreneurial power that resides in Kenyan youth. The problem is not confined to Kenya; it exists in many African countries, sometimes deeply rooted in society. So the handcart trundling through Nairobi’s busy streets will be a nuisance for rich motorists for a long time yet.

Helmut Danner

Reference
International exchange

African-German Youth Initiative launched

The African-German Youth Initiative (AGYI) aims to overcome prejudices and strengthen civic participation. The programme is co-hosted by the Federal Ministry for Economic Cooperation and Development and the African Union and coordinated by Engagement Global.

Flight and unregulated migration from Africa are big issues in Europe at the moment. Thus, it is remarkable that the German government and the African Union are fostering exchange programmes for their youth. The AGYI, which has been launched in Bonn earlier this summer, aims to create new exchange opportunities.

The initiative follows the example of the Franco-German Youth Office, which supported reconciliation between France and Germany after the Second World War. The AGYI is set to facilitate meetings between individuals and school classes as well as youth groups, sport and music clubs. The continent-wide approach is new in this context. Initially, there will be pilot projects in Benin, South Africa and Tanzania, but other African countries are soon to be included.

“Exchange is an excellent means to strengthen cohesion in this world,” says Hannelore Kraft, state premier of the German federal state of North Rhine-Westphalia. The youth plays an important role in this regard: “Sometimes young people see things more globally, as the Brexit illustrated.”

Johanna Fischer, who has worked as a volunteer in Ghana, thinks that all involved have realised that “everybody has a stake in this world.” She was particularly surprised how similar everyday life was in Ghana: “I had many misconceptions in my mind,” she recalls. To reduce false notions and prejudices, one needs the will to take a closer look, Kraft stresses. Many people only want to confirm their prejudices, but the youth is curious. “This creates a new drive that we urgently need to tackle global political issues,” the state premier says.

On the other hand, world issues have an impact on the exchange programme. Accordingly, migration from Africa to Europe was a subject of debate during the programme’s kick-off event. “Over the past few years, we have offered higher education and vocational training to thousands of African and Indian students in Germany,” reports Gerd Müller, Germany’s federal minister for economic cooperation and development. Many of them did not return to their home countries.

Martial De-Paul Ikounga, AU Commissioner for Human Resources, Science and Technology, says that African economies are strained by the emigration of the youth. Well educated young people need perspectives in their own countries. According to De-Paul Ikounga, the AGYI can assist in this matter, since it promotes a reciprocal transfer of knowledge, thus enhancing knowhow and technical skills.

“We have to share our knowledge globally,” urges Müller. Regarding climate change, for example, countries like Germany are still developing nations too.

Concerning the refugee question, Germany can learn a lot from African experiences. Catherine Fidelis Amri from Tanzania, who currently volunteers in Hamburg, reports that refugees arrive in Tanzania every day. Even though many of them settle in the capital Dar es Salaam, the locals are not worried. “The government provides care for everybody,” she says.

“In Tanzania, refugees do not get social benefits of course,” Amri concedes. “And sometimes we also face challenges such as violence in boarder regions.” But this is no issue the newspapers report every day. “It is not good to let people feel that they are different.”

Eva-Maria Verfürth
Ecology

Global hazard

Environmental crime helps to fund terrorists and is a threat to world peace, according to a report that was recently published by the UN Environment Programme and Interpol. The two international organisations demand coordinated, international action to fight the phenomenon.

According to the UN Environment Programme (UNEP) and Interpol, mafia organisations that are involved in environmental crime operate like multinational corporations. They are well equipped, rely on solid information and operate in a manner that is both focused and flexible. Moreover, they are proficient in white-collar crime such as tax fraud, double counting, transfer mispricing and money laundering, internet crime (including hacking and phishing/identity theft), securities fraud and financial crime. They create shell companies, use tax havens and fraudulently claim carbon credits.

UNEP and Interpol estimate that natural resources worth up to $258 billion are being stolen and destroyed annually by timber mafias, wildlife poachers and traffickers, illegal miners and hazardous waste dumpers. The authors estimate that the damage done is increasing two to three times faster than the world economy is growing. Transnational crime organisations are said to be powerful and well-coordinated. They bribe, threaten, coerce, intimidate and kill.

The report suggests that centralised and coordinated efforts are needed both at national and international levels (see comment by Erik Solheim, p. 46). It recommends coordinated and centralised action by government agencies at national and international levels, but it also wants consumer awareness to grow.

The authors point out that environmental crime is linked to poor governance, as is evident in corruption, inadequate law enforcement and weak judicial systems. African and Asian governments are called upon to raise their budgets for police, prosecution and courts. Political interference, weak legislation and low employee morale are also said to facilitate environmental crime.

The report estimates that forestry crimes amount to damages worth up to $150 billion and illegal fishing up to $24 billion. Illegal exploitation of mining may cost humankind up to $50 billion.

Environmental crime, moreover, must be seen in the context of security. The report stresses that non-state armed groups rely on it for funding. It is well known, for instance, that the Taliban are mining lapis lazuli and minerals besides patronising timber mafias in Afghanistan and Pakistan. According to the UNEP/Interpol report, moreover, the looting of natural resources has been the primary driver of violent conflict in the Democratic Republic of the Congo (DRC) for nearly 20 years. The sale of diamonds, gold and precious stones has similarly fuelled civil strife in various African countries, and Al Shabaab is benefiting from the illegal and environmentally destructive charcoal business in Somalia.

Violent conflicts terrorise societies and force millions of people to flee from their homes. In the eyes of the report authors, the public must become aware of the links between environmental crime and international terrorism as that will foster a sense of urgency. So far, too many people, especially in rich western nations, do not understand that more is at stake than the poaching of elephants, rhinos and lions, for example. They need to know that environmental crime is a threat to security and peace.

UNEP and Interpol report: The rise of environmental crime.

Ceciel Shiraz Raj

Link
UNEP and Interpol, 2016: The rise of environmental crime.
Sexism

Media can foster or fight violence against women

The power of media is great and growing in times of social media. On the positive side, as Filippo Grandi, the UN high commissioner for refugees, puts it, journalists can be “the most powerful champions of human rights.” Unfortunately, however, the media can also support and prolong oppression. Violence against women and girls is one of the issues where media activism must contribute to improving the situation.

At the Global Media Forum in Bonn, Germany, in summer, one of the topics discussed was the influence of media on stereotype images of women, particularly in regard to violence against women and girls. Gender-offensive language in the media can exacerbate problems, and so can reporting based on stereotypes. Several organisations hosted an event to assess coverage. They included the network Gender@International Bonn, GIZ, Deutsche Welle, the state government of North Rhine-Westphalia and the German national committee of UN Women.

In some countries, the situation is dire. According to UN statistics, 99% of women in Egypt have experienced some kind of sexual harassment. However, this fact is not reflected in Egyptian media at all. A typical way of reporting gender-based violence is belittling it, says Rasha El-Ibiary, who teaches mass media at the Future University in Egypt. “Rape is reported as sexual harassment, and sexual harassment is reported as flirting,” she explains.

According to El-Ibiary, often women are victimised twice because they are blamed for the violence they have suffered. “Even in the media, it is asked ‘why was she on the street alone?’ or ‘what was she wearing?’” El-Ibiary says. “These are not individual incidents, but part of a greater social context.”

Jaafar Abdul-Karim, a German-Lebanese TV presenter, says that patriarchal attitudes are an underlying reason for such misleading media coverage. German writer and activist Vincent-Immanuel Herr puts it bluntly: “Media are controlled by men, and sexual violence is exerted by men against women,” he explains. In both situations, he points out, men are in positions of power. On the other hand, Herr considers men themselves to be negatively affected by the “poison of sexism,” because “it lowers all of society’s standard of living.”

However, as Herr points out, men also “need to fight against objectification of women.” An international campaign doing exactly this is “He for She,” run by the UN Women Solidarity Movement for Gender Equality.

The role of the media in regard to gender-related violence has been discussed for a long time. Article 8 of the Inter-American Convention of Belém do Pará (1994) obliges member nations to “strengthen media to work out guidelines which help to eliminate all forms of violence against women and to enhance respect for the dignity of women.”

Accordingly, the Press Council of Peru has identified a pattern in the typical reporting of violence against women:
- cases of violence are presented as scandals,
- the focus is on police activities, and
- there is no debate on violence as such.

The Press Council also noted that the media normally only use women for their sexual-visual appeal, and that hardly any female journalists work in positions of leadership.

As a contribution to the ‘National Plan against Violence against Women’, the Press Council published a guideline in 2012. It recommends:
- considering violence a violation of human rights,
- protecting victims, for example by not showing their pictures or indicating their names,
- publishing information such as the phone numbers of agencies that offer support to victims,
- not justifying perpetrators,
- providing follow-up stories and
- reporting on initiatives that aim to stem gender-related violence.

Some countries have gone beyond guidelines. Ecuador’s constitution, for example, prohibits in Article 19 the promotion of violence, discrimination and sexism in the media. In Bolivia, which has a high incidence of gender-based violence (see D+C/E+Z, 2015/05, p. 14 ff.), the Ministry of Communication is obliged by law to run media campaigns on the matter.

Sheila Mysorekar

Links
- “He for She”: UN Women Solidarity Movement for Gender Equality.
  http://www.heforshe.org/en
- Global Media Forum:
  http://www.dw.com/gmf
- Consejo Consultivo de Radio y Televisión, Peru:
Nowadays: Condom inaccessibility fuels HIV

Over the past four years, 23-year-old Shylet Hungwe has been struggling with consistent bouts of diarrhoea. She also has swollen glands, rashes, mild flu-like symptoms including fever, and she often suffers from a throbbing headache.

Despite her ill health, Hungwe has not ceased having multiple boyfriends. She parties many nights at traditional home-brew beer gatherings in her home village in Masvingo Province in south-eastern Zimbabwe. That participants later meet for sexual encounters is quite common.

Many people consider Hungwe the village beauty, but she is HIV positive – and very open about it: “I have been to a clinic once where I was tested for HIV and found positive,” Hungwe recounts. The clinic is 18 kilometres away from her village and reaching it “is not easy,” she says.

There are many HIV cases in rural regions, but condoms are hard to get in the villages. “Talking of protecting ourselves against HIV makes no sense without the distribution of condoms,” says Livia Chigumira, a 49-year old man from Hungwe’s area. Many villagers engage in unprotected sex, which results in ever more HIV/AIDS cases in Zimbabwe’s rural areas.

According to the largest international supplier of condoms, the UN Population Fund (UNFPA), Zimbabwe’s condom usage per head tops that of any other country in the world, with over 109 million condoms used in 2014 alone. UNFPA Zimbabwe is running a campaign promoting condoms and safe sex.

The impact on remote areas, however, is limited. The district where Hungwe lives has a population of 166,000 people, of whom 13% are HIV positive, according to the Ministry of Health and Child Care. As they cannot get condoms in remote areas, rural people too often engage in risky sexual behaviour.

“Many villagers here have at one time or another tested HIV positive, but they are far away from health-care centres,” explains Mavis Chikotore, chairperson of a local HIV/AIDS support group.

Better information on contraceptives might help too. Most rural women have never heard of female condoms. “I grew up here in this village,” Hungwe says, “and to tell you the truth, I never knew that a female condom exists.” She adds that this may “explain my HIV/AIDS situation.” The big question, however, is whether she would have had access to female condoms, had she known there is such a thing.

Chikotore’s remarks resonate with many village leaders. They say that HIV/AIDS is spreading in the country’s remote areas and has become a humanitarian crisis.

Better information on contraceptives might help too. Most rural women have never heard of female condoms. “I grew up here in this village,” Hungwe says, “and to tell you the truth, I never knew that a female condom exists.” She adds that this may “explain my HIV/AIDS situation.” The big question, however, is whether she would have had access to female condoms, had she known there is such a thing.

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Exports must drive development
Many developing countries export commodities and import processed and manufactured goods. One consequence, almost by definition, is that they stay poor: what they export lacks the added value of what they import. To prosper, the economies concerned must industrialise and diversify. Accordingly, they need prudent policies but also access to foreign markets. So far, all developing countries that have managed to reduce poverty and catch up with the advanced nations have done so by relying on exports.
Africa’s bewildering spaghetti bowl

Eight regional economic communities (RECs) have been established in Africa, but regional integration still leaves a lot to be desired. For example, formal private-sector activity tends to remain too weak.

By Alfred R. Bizoza, Eugenia Kayitesi and Kacana Sipangule

Regional integration can be broadly defined as the sovereign states of a certain world region sharing policies concerning economic, social and other matters. The most prominent example internationally is the European Union. The guiding principle is that integration results in bigger markets with more opportunities and productivity-enhancing competition for all parties involved.

In Africa, regional integration is considered very important for several reasons. The most important one is that African nations tend to have comparatively small populations, so their domestic markets are quite small. Moreover, many countries are landlocked, which means that overseas trade is extremely expensive. Finally, the joint infrastructure is insufficient.

The process of regional integration in Africa began in the post-independence era as heads of states sought new ways to unify the continent. There are now eight RECs in Africa. However, the results have been disappointing.

Most African economies are still geared to exporting commodities and have huge informal sectors. Regional integration has yet to foster the kind of modernisation and diversification that would let African economies trade with one another and generate formal employment in various industries.

Rwanda is a rising economic star in Africa. Given that it is quite small, landlocked and not abundantly endowed with natural resources, regional integration should serve its needs well. So far, however, Rwanda’s undeniable progress results mainly from improving the domestic investment climate (see John Wesley Kabango, D+C/E+Z 2014/12, p. 454 f.) even though Rwanda is a member of the Common Market of East-
ern and Southern Africa (COMESA), the East African Community (EAC) and the Economic Community of Central African States (ECCAS).

As each REC has its own objectives, the multitude of overlapping RECs is a problem. A consequence is a confusing “spaghetti bowl” of different intersecting rules and regulations. In response, the Tripartite Free Trade Area (TFTA) has been launched to merge three RECs: the EAC, COMESA, to which Rwanda both belongs, plus the Southern African Development Community (SADC). It is too early to assess the impact of the TFTA on intra-regional trade flows.

**Rwandan frustration**

Non-compliance, however, is an even greater challenge than spaghetti-bowl entanglement of rules. According to the African Regional Integration Index, which is compiled by the African Development Bank (AfDB), Rwanda is a comparatively good performer in terms of REC rules.

In COMESA, for example, the country performs above average in terms of trade integration, free movement of people as well as financial and macro-economic integration. In ECCAS, on the other hand, Rwanda performs well in the area of productive integration and above average in trade integration. In the EAC, Rwanda is one of the countries that has enabled the free movement of persons and financial and macro-economic integration (AfDB 2016). Only South Sudan and Tanzania are yet to repeal the laws that inhibit the free movement of persons.

**Non-compliance with rules**

Other countries, however, are not playing by the jointly defined rules, so the effects of regional integration are more or less thwarted. Trade integration requires effective measures to ensure the free movement of goods, for example. Tariffs and equivalent measures that affect intra-regional trade must be eliminated, and so must non-tariff barriers. At the same time, an REC must implement common external tariffs.

It is irritating that all EAC members but Rwanda are relying on measures such as additional taxes and charges that basically have the same effect as tariffs (World Bank/East African Community Secretariat 2014). Moreover, Uganda and Tanzania are behind schedule in terms of recognising and issuing customs documents, further limiting the effectiveness of the EAC. Matters tend to be similar in the case of other African RECs.

To benefit from regional integration, Rwanda should modify its current strategy of expanding export volumes and focus more on the competitive advantages of its private sector. From 2010 to 2015, Rwanda ran a trade deficit in its interaction with other EAC countries, which tend to be more populous, rely on more natural resources and benefit from better sea links. It is no coincidence that Burundi, which resembles Rwanda in many ways, fared even worse. Unlike Rwanda, Burundi lacks competent economic governance.

**The way forward**

It remains to be seen whether REC membership can be made advantageous. So far, the emphasis on exports has been unprofitable since Rwanda faces high trade costs and competition from other EAC members (de Melo and Collinson, 2011). Efforts towards productive specialisation are essential in this context, and the improvement of regional infrastructure is important too.

Rwanda’s efforts to improve the skills set of its people as well as the infrastructure needed to develop the country into a hub for information and communication technology make sense. Rwandan businesses that belong to this sector are competitive and can provide services to neighbouring countries. This approach looks promising.

Moreover, ongoing regional projects such as the East African Railway master plan must be finalised to power the region’s energy and improve the business networks. At the same time, it will be useful to improve roads within the country – the better domes-
tic transport flows, the easier it becomes to trade with neighbours after all.

Rwanda should take advantage of the new market opportunities offered by the newly formed TFTA to unlock its production potentials in agriculture as well as in industrial and services sectors, with particular attention paid to private businesses. Fully tapping the potential of the new super-REC, however, may be easier said than done.

Focussing on Tanzania, Lufuke and Kamau (2015) have assessed whether the size of an REC has an impact on trade volumes. They found out that size matters, but that small RECs actually look better because they facilitate more than trade, for instance the free movement of people. The TFTA, however, is a huge REC.

A surprising finding of Lufuke and Kamau is that, for the impacts of regional integration, it does not matter much whether a country is landlocked or not. The reason is that sea transport is not important in inner-African trade.

References
Africa Regional Integration Index Report 2016:

PEGNet

The Poverty Reduction, Equity and Growth Network (PEGNet) holds annual conferences to facilitate cooperation between researchers and professionals from development agencies. This year’s conference will take place in Kigali, Rwanda from 15 to 16 September. The topic will be: “Regional integration for Africa’s economic transformation – Challenges and opportunities”.

PEGNet convenes researchers who are interested in the inter-relatedness of poverty, inequality and growth and puts them in touch with professionals from development agencies. PEGNet was started in 2005 as a joint initiative of the Kiel Institute for the World Economy (IfW), the Universities of Göttingen and Frankfurt, Germany’s Federal Ministry for Economic Development and Cooperation (BMZ) and its implementing agencies GTZ (now GIZ) and KfW development bank.

In Kigali, the conference host will be the Institute of Policy Analysis and Research-Rwanda (IPAR-Rwanda). IPAR-Rwanda is a registered independent, not-for-profit research and policy analysis think tank in Rwanda. It became fully functional in 2008 with the support of the African Capacity Building Foundation (ACBF) and the International Development Research Centre (IDRC). IPAR-Rwanda’s mission is to enhance evidence-based policymaking and promote dialogue and a culture of debate on policy issues in Rwanda.

International PEGNet members include the Overseas Development Institute (ODII) in London, Development, Institutions et Analyse de Long Terme (DIAL) in Paris, the Development Bank of Southern Africa (DBSA), the Department of Economics at Ghana’s University of Cape Coast and the Southern Africa Labour and Development Research Unit (SALDRU) in Cape Town. All summed up, PEGNet has more than 100 member institutions and individual members.
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Exports and imports need to be governed by consistent rules in order to promote sustainable development in a responsible way. That is the verdict of Gerd Müller, German Federal Minister for Economic Cooperation and Development.

By Gerd Müller

In April 2013, a devastating accident occurred at the Rana Plaza textile factory in Bangladesh leaving more than 1,100 people dead and over 3,000 injured. This tragedy once again drew attention to inhuman and environmentally destructive patterns of production in Asia and Africa.

Today, we can say that positive changes have taken place since then. In October 2014, we launched the Partnership for Sustainable Textiles. During a visit to Bangladesh last autumn, I was able to see for myself the progress that has been achieved on the ground. Thanks to German support, many survivors of the accident have been helped to find new ways to earn a living; with the training of labour inspectors, health and safety in textile factories is moving forward. And Germany is providing advice on the establishment of committees of workers’ representatives and on the introduction of an occupational accident insurance scheme.

The textile sector is an example of how, in times of globalisation, increasingly complex supply and trade chains span the entire globe. Globalisation, the digital revolution and rapid population growth have transformed planet earth into a global village. Many separate companies in different countries are involved in producing and selling the products we consume in Germany and Europe. Men’s shirts, for instance, go through up to 140 production stages in different countries before they end up on sale in our shops. For cost reasons, production is often transferred to countries with low levels of social and environmental standards.

Despite the challenges, we should not however forget that integration into global and regional value chains offers opportunities for developing countries and emerging economies. Thanks to its rapidly growing industrial production with a focus on export, China managed to lift more than 200 million people out of poverty between 2000 and 2013. Least developed countries (LDCs) and many African countries do not have this opportunity, because they are hardly integrated into the system of international division of labour and the global economy. The World Trade Organization estimates that LDCs account for 12 % of the world’s population, yet their share in world trade is only one percent. Even Germany, a country with well-developed international linkages, acquires only three percent of its goods from Africa.

We need to ensure that developing countries have better opportunities to participate in value creation and international trade. That way it is possible to counter poverty in a sustainable manner and create job opportunities. At the same time, global trade needs to be made responsible, sustainable and fair. Globalisation and trade must not be allowed to result in massive environmental degradation, climate change, greater inequality, precarious working conditions and human-rights violations.

We need to move towards a global economic model in the same way as Europe moved from 19th century Manchester Capitalism to its present economic model. The global pact on the world’s future – the 2030 Agenda for Sustainable Development – with its 17 Sustainable Development Goals (SDGs) for economically, environmentally and socially sustainable development is the new framework for action, at the international level, in our partner countries and in Germany.

The responsibility for sustainable trade begins in Germany

The responsibility for sustainable trade begins in Germany, because German companies, in particular, play an important role in efforts to raise environmental and social standards and make global supply and value chains sustainable.

The best example here is the Partnership for Sustainable Textiles. It is a partnership between politics,
business, trade unions and civil society and was established with a view to achieving sustainable improvements in social and environmental standards and in economic conditions along the entire textile supply chain. So far, some 180 members have joined, more than half of Germany’s retail textile trade.

Another important step is the drafting of the National Action Plan for Business and Human Rights, through which the German government is implementing the UN Guiding Principles on Business and Human Rights. It lays out a clear framework for economic activity that complies with human rights, is socially sustainable and is also economically successful. In the first place, this framework is for companies, yet it applies to public authorities as well, who are there to help small and medium-sized companies especially carry out due diligence and to provide the required environment.

Consumption patterns are another key to more sustainability. We need to realise that our decisions as consumers have a direct effect in other parts of the world. If a t-shirt is sold for €2.50 in Germany, it is clear that little will be left for the seamstress in Bangladesh. But there is hope. The increase in sales of fair-trade products is proof of a growing awareness of and interest in sustainability issues. The German government has developed an online information platform to further support fair trade: www.siegelklarheit.de provides information on well-established sustainability labels and makes it clear which labels are especially credible and exacting. But national, regional and local authorities, who account for more than €300 billion worth of procurement a year, also need to lead by example when it comes to sustainability. The BMZ has launched various initiatives to ensure that greater attention is given to social and environmental standards in all public procurement processes.

Fighting poverty and creating job opportunities and prospects for the people in developing countries will only succeed if companies in developing countries and their products and services are able to compete in global markets. Under the WTO’s Aid for Trade initiative Germany has continuously expanded its trade promoting efforts. The BMZ is involved, for instance, in developing an economic enabling environment and competitive and sustainable economic structures, and in promoting cooperation with the private sector and the introduction of and compliance with environmental and social standards, for example in factories in Bangladesh.

At the international level it is important to look to the WTO as the forum for negotiating fair rules for world trade, as this is where every country has a voice. Even though the 2015 WTO Ministerial Meeting in Nairobi did not lead to the conclusion of the 2001 Doha round, it brought some progress for developing countries. Agricultural subsidies are being abolished and preferential rules of origin for goods from LDCs expanded. However, the fact that the Doha negotiations have stalled means that bilateral and plurilateral trade agreements are seen as more important. We need to take care that trade agreements outside of the WTO framework are not concluded at the expense of developing countries. For this we will also need to link environmental and social sustainability standards with international and European trade policy. That is why I am calling for sustainability standards to be mainstreamed in WTO rules, in EU free-trade agreements and in EU Economic Partnership Agreements with ACP countries.

Sustainable and fair trade begins at home, in Germany; it must be supported in developing countries, and it has to be formalised at the international level. We need to replace free trade with fair trade. That is the lesson that must be learned from Rana Plaza.

Gerd Müller visiting a garment factory in Cambodia.

Gerd Müller is Germany’s Federal Minister for Economic Cooperation and Development.

http://www.bmz.de

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Making Africa a better place

A young and dynamic technology industry is growing fast in Nairobi. People speak of Silicon Savannah. Nanjira Sambuli is an analyst and researcher who has been involved in this start-up ecosystem for years. In an interview, she told Hans Dembowski about how international networking helps to drive African development.

Interview with Nanjira Sambuli

Why does Kenya’s Silicon Savannah need global links, for example to Silicon Valley in the San Francisco Bay area or Silicon Plateau with its centre in Bangalore, India?

Kenya’s so-called Silicon Savannah is still in its nascent stages, compared with the two tech-industry centres you just mentioned. The term Silicon Savannah itself results from the comparison. It became popular in the past decade after world-famous digital solutions were started here or gained ground here. Examples include M-Pesa, which made it possible to transfer money by mobile phones, and Ushahidi, a system that allows many people to cooperate on a single website to compile information. To further strengthen the tech industry in Kenya and accelerate its growth, the innovation scene here needs global links to other start-up ecosystems. In an increasingly globalised world, it would be counterproductive not to have such links in order to share insights, identify market trends and cooperate on various projects.

What are those links: assignments, cooperation projects, foreign direct investments?

Different things matter in different ways. Four aspects are especially relevant:

First of all, skills and knowledge transfer: the nascent Silicon Savannah can and must learn from other tech ecosystems. This includes best practices, model policies, but also avoiding typical pitfalls and more. Infusing skills from other tech ecosystems is useful in training and mentoring the talent in our emerging system. Most of them are young and learn fast.

Second, funding: there are various approaches. Grants help, for instance for innovations, and so do various kinds of investments, from venture capital to private equity through to impact investment, which does not only focus on profitability but takes social progress into account as well. Local capital is not easy to mobilise, and many Kenyans are still shying away from investing in the tech sector. So funding from global partners has been very useful in terms of catalysing growth.

Third, subsidiaries of multinational companies: tech giants have been setting up local offices here. Many of these offices serve as entry points to Africa. They are regional or even continental headquarters, which proves that foreigners understand the potential of Silicon Savannah. Relevant multinationals include Google, Intel, IBM, General Electric and Philips, to name a few. Their offices hire Kenyan staff and contribute to skills development.

Finally, cooperation and partnerships: many of the aforementioned companies are engaging in partnerships with local institutions, initiatives and organisations, which again is strengthening our local ecosystem. General Electric, for instance, has not only partnered with local universities, but also with Seven Seas Technologies and Gearbox, two leading Kenyan technology companies. Google, Intel and IBM have similarly partnered with various local universities or innovation hubs, such as the famous iHub. Such cooperation helps to train and harness talent.

What impacts does Silicon Savannah have on Kenya’s economy and – ultimately – average Kenyans’ lives?

It is anticipated that the digital ecosystem in the country will contribute up to eight percent to gross domestic product by next year. Policymakers see great potential. The Silicon Savannah start-up environment has been creating jobs and generating economic value, and it is set to continue doing so. The impacts to average Kenyans’ lives vary. The story of M-Pesa and its impact on financial inclusion is noteworthy and well known. It has improved lives all over Africa. Other innovations in various sectors, including energy supply and agriculture, have useful impacts on beneficiaries too. Even failures are useful sometimes in the sense of teaching innovators to improve their performance and get a better idea
of how to develop products and services for African communities.

Is Silicon Savannah developing African solutions for African problems, or is it working on global issues?

It depends, both are happening, and there is such a thing as African solutions for global problems. Consider Ushahidi, for example, which was designed in a political crisis to facilitate communication and document post-election violence. The system has since been adapted to various issues in many countries around the world. Other strong solutions are emerging from Silicon Savannah. M-KOPA Solar and Strauss Energy are providing new and affordable options for sustainable power supply. Twiga Foods offers small and medium-sized vendors a supply platform in African urban markets that is mobile-based and cashless, and M-Farm provides market-relevant information to farmers.

These approaches make sense in Kenya, other African countries but also in many other places. Sometimes a Kenyan innovation is accepted fast by the global business community. An exciting example is OngAir. This company has built an integrated platform that businesses can use to transmit messages via Facebook, Twitter, WhatsApp and other social media. It is a very important marketing tool that global brands like Coca Cola and Heineken are using.

What kind of educational foundation is needed to be able to become part of the globalised IT business?

This is a crucial policy question. The IT sector, globally, requires technical skills such as coding, engineering et cetera, so formal academic education matters. It is telling that multinational corporations are teaming up with Kenyan universities in this context. They want to ensure that students learn what tech-sector companies need. But the sociocultural understanding is important too. I would say that a key foundation is curiosity about the world around us, and how to leverage various technologies to address them. After all, technology is an enabler or amplifier.

To what extent does international exposure motivate and inspire digital professionals in Kenya?

Well, to some extent, the international exposure that Kenya’s technology ecosystem has enjoyed is a double-edged sword. On the one hand, it is a key motivator, and some innovators and companies have benefited greatly from such exposure. The reason is that they were in a position to market a product or a service, and that has propelled them forward. On the other hand, international exposure in its various forms has created something of an attention economy, with tech professionals looking out for what seems to be trendy. The risk is that they focus more on style than substance. At the individual career level, people who, thanks to their skills, were able to plug into tech networks, have benefited substantially. Many now work in positions of leadership, both in local and global tech companies.

Do Silicon Savannah professionals want to migrate to OECD countries?

I believe that most actors in Silicon Savannah are motivated to build capacities for the country and the continent. The idea of migrating to OECD countries is not the reason why they are working hard. While occasional trips to events and conferences or further studies might be something people are keen on, I don’t know of cases where people have then aspired to migrate. At the core, this is a generation that is keen on making their country and continent a better place.

Link

The Kenyan start-up OngAir has developed a globally relevant marketing tool that global giants are using.

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The Kenyan start-up OngAir: https://ongair.im/
A matter of power and interest

Foreign trade can promote development. But whether exports flourish and whether they increase welfare is largely a matter of political interest. Mozambique’s government has so far failed to take the opportunities presented, and development policy can help only up to a point.

By Friedrich Kaufmann and Winfried Borowczak

Although Mozambique’s economy has registered high growth for years, the country’s development is stalled: poverty and income inequality are increasing, and the Human Development Index is still among the lowest worldwide (180th of 188). There is no improvement in sight because the economy also has a chronic foreign-trade deficit. This means that the country spends more on imports than it earns from exports and has so far failed to strengthen its export base. The annual deficits are financed by loans, development aid and inflowing foreign investment. In recent scandals, it also came to light that the government has been engaging in clandestine deals, some involving arms imports, and the state is massively indebted as a result. Major donors have responded by suspending aid flows, prices are rising, the currency is falling, investors are holding back, and living standards for many Mozambicans are worsening. The state needs to tighten its belt.

In principle, national economies can achieve welfare gains through foreign trade: countries that sell a lot of goods abroad generate income that can be invested in development. In Mozambique, however, exports remain weak (see box, p. 22), and the little foreign trade income that is generated does not help reduce poverty. There are a number of reasons for this:

- Very few local exporters: Mozambique essentially lacks a networked economy, industrial clusters and a significant presence of small and medium-scale enterprises (SMEs). The absolute number of enterprises in the country is very low (Germany has 40 times more enterprises per capita), and there are very few large companies that could become major exporters.
- Limited integration of local enterprises in supply chains: minerals are mostly mined and exported by international companies. Very few SMEs are incorporated in the supply chain because they are either not available or not competitive. As a result, little employment and income is generated within the country.
- Little knowledge transfer: foreign trade offers the opportunity to bring international expertise into the country. Most of the Mozambican workforce are low-skilled, so knowledge transfer is urgently needed. But Mozambique tends to present obstacles to incoming foreign workers, for example through its labour laws. This slows down the development of a productive economy and export base.
- Wrong partners: Asian companies are increasingly moving into infrastructure projects, foreign trade and natural resources. They do not generally attach much importance to development support, international environmental and social standards, skill development and sustainability.

Poor track record of government and development policy

The Mozambican government has so far not been very successful at tackling the foreign trade deficit. It propagates import substitution – which is urgently needed in Mozambique’s consumer economy – but to little avail.

There is also no comprehensive foreign-trade strategy that addresses development issues. The government keeps drafting papers but there is no clear policy line. The same applies to industrial policy, the promotion of small businesses and agricultural strategy. They are not coordinated, they set out no priorities, and there is not enough money or resources available to implement them. What is more, individual ministries are often unable to take cross-sectoral measures.

In the meantime, there is at least a strategy in place specifically to promote exports: special Chinese-style economic zones are to be created (for example in the Nacala Corridor or Belulane Park near Maputo), offering good infrastructure and massive tax breaks for exporters. It remains to be seen how successful the special economic zones are.
For many years, international donors have also tried to support foreign trade, for example through initiatives such as Aid for Trade. They assist ministries, help with transport and logistics or promote tourism. But that support is mostly uncoordinated and rarely addresses root causes. Since new gas deposits were discovered, a number of organisations have offered vocational-training programmes for local businesses so that they can qualify as gas and oil production suppliers (for instance through the SOGA programme, in which GIZ is involved).

The European Partnership Agreement (EPA) has also just been signed, exempting nearly all exports to Europe from quotas and tariffs and creating incentives for European companies to establish export bases in Mozambique. But that does not necessarily mean anything: the European Union’s “Everything but Arms” initiative and the US “African Growth and Opportunity Act” both offered better export opportunities, but they were largely not used. The economic climate in the country first needs to be improved.

The first modest development successes could be seen in the sugarcane and tobacco industries in the last years. With donors’ and foreign investors’ capital help, “outgrower” programmes have been created to integrate small farmers into supply chains and thus help provide them with a better livelihood.

**Options for action**

Recent studies show that most poor countries are in a similar dilemma (Krause/Kaufmann 2011; Altenburg/Lütkenhorst 2015). They need intelligent foreign trade, industrial and development policies because market mechanisms alone are not enough. But that necessitates good governance, that is government interest in the common good as well as political and economic rules that do not serve a simple limited access order but help pave the way to an open access society (see Borowczak/Kaufmann in D+C/E+Z 2011/02, p. 69 ff.). There are few signs of this in Mozambique; short-term individual profit interests prevail.
Systemic political and economic problems of this kind cannot be resolved by foreign-trade promotion alone, which is why even the extensive efforts of international donors have so far often come to naught. The environment can be influenced only slowly, from within and through civil-society engagement. Persistence, patience, realism and the readiness to work with what is available are key requirements. Success will not lie in patent remedies and one-size-fits-all models. “Islands of efficiency” need to be created in the existing landscape. Promoting collective action, for instance in “outgrower” communities, may be a step in that direction.

References

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Mozambique’s foreign trade weakness

In its Global Competitiveness Index, the World Economic Forum lists Mozambique as one of the least competitive countries in the world. Value added in the country is low, and the goods produced are unable to compete internationally in terms of price and quality.

At one time, railway carriages were built in Mozambique; today, the country even imports a good deal of its food. Productivity is particularly low in the agricultural sector, and the range of products is small despite the good climate. Most of the workforce are informal sector workers and live in poverty; there is little industrialisation.

This is partly because the business environment is so poor, as the World Bank’s Doing Business Index and Transparency International studies on corruption and business ethics suggest (for the current corruption scandal in Mozambique, see Kaiser/dos Reis, p. 44).

Not much in the economy happens without the involvement of the political elite, which is why there is hardly any fair and open competition nor sufficient productivity incentives. International trade is also impeded by bureaucracy. Costs and administrative charges for permits are high, waiting times are long, and government offices are often inefficient and unreliable. Moreover, the country is large and long but transport infrastructure is substandard and expensive.

Because of the absence of industrial manufacturing, exports consist mostly of unprocessed commodities and raw materials: aluminium, coal, gas, minerals and modest amounts of tobacco, cotton and shellfish. They are generally financed by foreign investors, who prefer short supply chains and rarely integrate local businesses.

Exports go to China and neighbouring South Africa, which together account for nearly half of Mozambique’s total export earnings. Aluminium is largely supplied to Europe. So foreign trade is not very diversified, either in a sectoral or in a geographical sense, and is thus very vulnerable.
Market dynamics versus human rights

In April 2013, the collapse of the Rana Plaza garment factory in Bangladesh killed more than 1,100 people. In response to this tragedy, the international community called for improvements regarding human rights and the security of buildings. Three international initiatives emerged with the goal of implementing reforms in Bangladesh, but they have not achieved much so far. The same is true of the Sustainable Textiles Partnership, which the German Federal Ministry for Economic Cooperation and Development (BMZ) is promoting.

By Nico Beckert

The Rana Plaza tragedy was not an isolated case. It occurred in a long line of industrial accidents, collapses and fires in Asian textiles production. With more than 1,100 casualties, however, it was the worst tragedy at the time. The accident inspired three initiatives to improve working conditions in Bangladesh’s garment sector:

■ The Alliance for Bangladesh Worker Safety was mainly started by North American apparel companies.

■ The Accord on Fire and Building Safety in Bangladesh was started by a consortium of European clothing manufacturers and global and national trade unions.

■ Improving Working Conditions in the Ready-Made Garment Sector in Bangladesh is a joint undertaking of the International Labour Organization (ILO) and the government of Bangladesh.

All three initiatives are meant to improve building safety and fire safety, relying on factory inspections and workers’ education. The ILO efforts extend to strengthening workers’ rights. But despite financial commitments worth hundreds of millions of euros, little has been achieved so far.

In the first two years after the tragedy, a few dozen of factories were closed. Inspections were performed in half of all production sites in Bangladesh. However, only eight out of more than 3,400 inspected factories corrected all their shortcomings according to the study “Beyond the tip of the iceberg: Bangladesh’s forgotten apparel workers”, which was published by New York University in 2015.

Hundreds of thousands of people, moreover, work in factories that are not covered by the three initiatives. Even western companies that belong to the partnerships purchase products from such factories through suppliers and subcontractors. Long and non-transparent supply chains make controls difficult.

In the social realm, there has not been much improvement either. It is true that the government raised seamstresses’ minimum wage from the equivalent of $ 37 to $ 68 per month. However, most factories still do not pay the minimum wage. Moreover, the increase was insufficient. According to the non-governmental Clean Clothes Campaign Network, a wage that would cover living costs of seamstresses and their family members would have to be four to five times higher than the legal minimum.

Progress concerning the unionization of staff looks similarly poor. Since the Rana Plaza disaster, the number of unionised workers has doubled, but only from 2.5% to five percent of the work force. Human Rights Watch the international NGO, keeps reporting layoffs of trade union members and even violence against them.

Another issue is the conflicts of interest that arise from the entanglement of politics and business. Some members of Bangladesh’s parliament are factory owners. They are most unlikely to vote for stronger regulations that boost human rights since that would mean higher costs for their businesses and plummeting profits. Moreover, the government will not implement measures that would make textile industries relocate to neighbouring countries.

Failure of voluntary commitments

The above-mentioned initiatives are all unlikely to achieve their goals. They lack independent monitoring mechanisms and effective sanctions. In the Alli-
Consumers’ purchasing choices have an impact on how goods are produced. Many clothes that are certified as “fair” hardly cost more than those of major fashion brands, however.

Not all certification systems actually refer to the clothes being produced in fair conditions. For example, the Fair Wear Foundation obliges companies to improve the conditions in their production lines, but to find out whether the companies have made any progress in that respect, consumers must check the Fair Wear Foundation’s website. On the upside, the Foundation publishes annual reports on companies’ compliance and makes them available to the global public.

The well-known Fair Trade label, on the other hand, only indicates that the cotton has been produced in an ethically acceptable setting. It does not say anything about processing and garment production. The cotton producers are guaranteed a minimum price, which improves labour conditions and standards of living for small farmers and workers on cotton plantations. The Clean Clothes Campaign therefore appreciates the label as an indication of “fair working conditions in the process of cotton harvesting”.

Items with some kind of fairness label are mostly produced in better conditions than those marketed by large retail chains. However, only a small fraction of consumers buy fair goods. One reason is that they do not know about the troubles in the supply chain. A second reason is that fair brands normally cannot rely on the kind of fancy shop infrastructure that consumers enjoy in the outlets that sell the major fashion brands. So long as fair trade stays a niche market, however, it cannot drive the comprehensive improvement of working conditions in the garment industry.

Critics say, however, that Müller has watered down the standards of the Partnership under the fashion industry’s pressure. They emphasise that it is not sufficient to rely on companies’ voluntary commitments. Without legal liability, the Partnership’s impacts will remain limited.

An international treaty on human rights at the workplace could end such non-binding voluntarism. In September 2013, Ecuador requested the UN Human Rights Council to negotiate such an agreement. Even though the USA, the EU, Japan and others voted against this proposal, it was accepted in June 2014. Since then, a UN expert group has been working on a draft.

Observers are sceptical, however. In order to cover human-rights abuses all over the world, every nation would have to sign the treaty. If only one country with cheap labour does not do so, businesses would have an incentive to relocate to that country from signatory
states where production costs would rise due to higher social and environmental standards. Such relocations are nothing unusual in the global fashion industries, and some companies have already moved to Myanmar and some African countries where standards are even lower and rule enforcement even weaker than in Bangladesh.

So far, many governments that officially support Ecuador’s proposal have done little to enforce the existing UN Guiding Principles on Business and Human Rights in their countries. This stance shows that they fear competitive disadvantages. Against this background, it is questionable how serious Ecuador and other governments are about the international treaty they propose.

Apart from governmental efforts, lasting public pressure and more international consumer activism are needed to improve the working conditions and human rights situation in the countries where garments are made (see box, p. 24). Ultimately, the international community needs valid minimum wages and production standards in the garment sector. Otherwise, countries will keep competing for international investments at the expense of workers’ rights.

International pressure and global standards are important, in particular because extreme poverty haunts the rural areas of Bangladesh and other “textile countries”. Many young women have no other chance but to work in garment factories. The high number of potential workers makes it difficult to organise in unions and demand better working conditions, given that companies can quickly replace any union member with a non-unionised worker.

Links

Alliance for Bangladesh Worker Safety: http://www.bangladeshworkersafety.org/who-we-are/about-the-alliance

Accord on Fire and Building Safety in Bangladesh: http://bangladeshaccord.org/


Study: Beyond the tip of the iceberg: Bangladesh’s forgotten apparel workers. http://static1.squarespace.com/static/547bf700e680ab8c5f490e85/5672d01f481ab577b80d328a/1450364598963/Beyond+the+Tip+of+the+Iceberg+Report.pdf

Information on the Calculation of Living Wages: http://www.cleanclothes.org/livingwage/calculating-a-living-wage
Incoherent policymaking

Pakistan’s exports have recently been in decline, after stagnating for a decade. This is so even though successive governments have been hoping for export-driven development. Now Finance Minister Ishaq Dar is offering new incentives, but observers doubt his quick-fix approach will be successful.

By Afshan Subohi

Pakistan exported goods worth $18 billion from July 2015 to April 2016, the first ten months of the past fiscal year. The figure was 6 billion below target. Finance Minister Dar blamed external forces, as his predecessors were also prone to do whenever things did not go as planned. According to Dar, low commodity prices on world markets and the slowdown in China are the reasons for Pakistan’s poorer than expected export performance.

Dar is quick to quote any positive remarks about Pakistan’s economy by anyone anywhere, but he does not seem to be paying much attention to other countries himself. In any case, he failed to explain in public why Bangladesh and Vietnam have a better track record concerning export growth.

Dar presented his latest budget in June. It includes incentives for exporters and is likely to be approved by the parliament. The idea is to turn the trend of falling exports around and to boost exports by 10% in the current financial year which will end in June 2017.

It is noteworthy that the government’s approach does not look coherent. In March, Commerce Minister Khurram Dastgir Khan had announced the Strategic Trade Policy Framework 2015-18, aiming to push up Pakistan’s annual exports from currently around $20 billion to $35 billion in 2018. That would imply a rise of 75% in three years. Dar’s aspiration of 10% annual expansion is quite modest in comparison.

The finance minister has not commented on this discrepancy at all, and that does not surprise anyone who is familiar with how Pakistan’s government works. The finance ministry does not adjust its policies to other ministries, it expects them to adjust their plans to the finance ministry. An insider, who understands the budget-making process well, says: “Dar considers himself de facto prime minister or maybe more.” Apparently, Dar was told that the Strategic Trade Policy Framework had set more ambitious goals than his budget plans, but the finance minister’s only response was to nod and move.

The government’s inconsistent approach to exports is baffling. Successive governments have been hopping from crisis to crisis, Pakistani governments seem to be conditioned to opt for quick fixes. The country is struggling to step out of the dark shadows of long phases of dictatorial rules. Moreover, three and a half decades of war in Afghanistan have militarised Pakistani society. It has facilitated a free flow of arms as well as bloody terror attacks in the country.

In view of these huge challenges, rulers have not been paying much attention to other issues, such as economic policymaking for example. The state has been unable to steer the economy in the desired direction, and the nascent democracy is haunted by its elites’ intellectual feebleness and moral flaws. Infrastructure deficits and logistic bottlenecks make it hard to do business, but these challenges have not been tackled.

Many consider the 1990s a failed decade. The average time a government spent in office after a general election was a year and a half. A full term would have been five years. Benazir Bhutto and Nawaz Sharif each ruled twice before their governments were dismissed.

In 1998, the military assumed power in a coup. General Musharraf’s rule lasted about nine years. Then the Pakistan Peoples Party won general elections after its leader, Benazir Bhutto, was murdered during the campaign. The good news is that her party managed to stay in power for a full term, and that power was then transferred peacefully to the Pakistan Muslim League of Nawaz Sharif after the next general election in 2013.
stating for decades that integration into the global economy is important. That view was shared by Pakistan’s elected leaders and the dictators who were brought to power by the military. The commitment to export-led growth is now three decades old.

Paradigm shift under Zia ul Haq

After independence from Britain, Pakistan’s governments had pursued a policy of nationalisation and import substitution. The approach changed under the rule of General Zia ul Haq, who turned away from an idea of Islamic socialism and adopted a policy of denationalisation, deregulation and free-market ideology. Ever since, all governments have broadly endorsed this approach, committing to vacate space that is occupied by state-run companies in various sectors, so private business can thrive, and promising to achieve competitiveness in the global economy.

This approach has been backed by western governments and international donor agencies such as the World Bank, the International Monetary Fund and the Asian Development Bank. They did not only provide advice, but also threw in money (aid, grants and soft loans) to assist Pakistan’s economic policy. Nonetheless, the results of all efforts to perk up exports have been below expectations so far. In spite of various free-trade and preferential agreements, exports have been hovering in the vicinity of $20 billion to $24 billion for about a decade and fell below $20 billion in the financial year 2015/16. That the EU granted Pakistan the coveted GSP Plus status in its General Scheme of Preferences in 2015 did not make a difference.

In defence of the political leadership, however, one might argue that Pakistan’s situation is very difficult. First of all, the security situation is tense and requires attention. Long years of war and strife in Afghanistan have seriously affected Pakistan. Moreover, the scope for expanding regional trade with its neighbours India, China, Afghanistan and Iran is small. The political system has been rocked by domestic crises as well (see box, p. 26).

New initiative

The finance minister’s current approach fits the Pakistani governments’ tendency to opt for quick fixes. According to the budget plans, five key sectors will be the main beneficiaries of the measures with which Finance Minister Dar now wants to boost exports. The sectors are textiles, leather, sports goods, carpets and surgical goods. They are expected to be the drivers of export growth. All of them are low-wage, low-skills industries, which shows that Pakistan has not been building a technology base in the past decades.

Dar plans a zero-rate tax regime for them and also wants to offer them tax breaks on the purchase of raw materials, intermediate goods and energy (electric power and fuel). Moreover, the government pledges to settle all pending cases of tax refunds fast.

The irony of the matter is that Pakistan’s corporate entities are increasingly fascinated with the potential of the local market. With more than 180 million people, Pakistan is the second most populous country in South Asia, so there is considerable domestic demand. It is obvious, moreover, that the informal economy is thriving. Formal-sector companies that are satisfying consumer demand are also growing fast. The influx of foreign brands is impressive.

Accordingly, the big players in Pakistani business seem to be in a process of reorientation, showing ever more interest in capitalising on the expansion of the domestic market. From textile to cement to food industry the focus now seems to be domestic and not markets overseas. Big names such as Engro, Gul Ahmed, Nishat, Al karam, Khadi, Lucky Cement, K&N, 14th Street Pizza et cetera are all working on strategies to expand locally.

If many corporate leaders think this way, it certainly makes sense in terms of profits. Whether it helps to develop the country, is another matter. It is hard to see how this strategy will make Pakistan’s businesses competitive on world markets.

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Bypassing the poor

India’s government wants to boost manufacturing. It is implementing a programme called “Make in India”, which, among other things, includes incentives for foreign direct investment (FDI), further liberalisation and infrastructure development. As a whole, however, India’s suffering economy is unlikely to benefit much.

By Aditi Roy Ghatak

In 2014, Indian Prime Minister Narendra Modi launched a major manufacturing initiative, inviting companies and countries to invest in manufacturing facilities in India. There has been much global applause for “Make in India”, although it is actually a repackaged version of former Prime Minister Manmohan Singh’s National Manufacturing Policy, which had been launched in 2011.

Singh’s policy promised to create 100 million jobs in manufacturing by 2021 and increase the sector’s share of India’s gross domestic product from 16% to 25% with a focus on innovation and job creation. Modi promises the same, allowing 100% FDI ownership in about two dozen focus sectors. In three sectors, the new allowed FDI shares are lower: 74% in space industries, 49% in the defence sector and 26% in new media.

The government promises to build the infrastructure that manufacturing companies expect, train workers in relevant skills and even voluntarily recognise intellectual property rights, for instance for pharmaceuticals, even though WTO rules do not force it to do so. The idea is that domestic and multinational corporations will invest in production capacities in India in order to serve export markets.

Backed by a massive international public relations campaign, “Make in India” has let to some commitments for FDI. A “Make in India Week” held in Mumbai in February attracted government delegations from 68 countries and business teams from 72 countries.

Actual capital inflows show a different picture though: more than 60% of FDI equity inflows totaling $24.8 billion from April 2015 to November 2016 came from two countries: Singapore and Mauritius. And even the government concedes in an official economic survey that some of these inflows might not constitute actual investment but diversions from other sources to avail of tax benefits under the Double Tax Avoidance Agreement that these countries have with India. Nevertheless, the capital inflow has reduced India’s current account deficit and is good for the country’s credit rating, according to Moody’s Investors Service.

Whether the labour market grows as promised, remains to be seen. Experts question the labour-intensiveness of the manufacturing investment. “If 11 people were needed to execute a piece of work that generated 1 million rupees worth of industrial GDP a decade ago, today only six are needed,” says D.K. Joshi, chief economist at the ratings and research firm Crisil. In the election campaign, Modi promised the young generation 10 million new jobs a year. The jobs are needed, but are not available so far.

Meanwhile, the banks present terrible balance sheets, and the government is getting rid of its head of the Reserve Bank, Raghuram Rajan, who refused to toe the ruling party’s line. Even the export data brings no cheer: India’s merchandise exports declined in July by 6.8% to $21.6 billion while imports declined by 19% to $29.4 billion. Many export-driven production sites have been shedding jobs. All in all, only 5000 new jobs were created in the first half of the current fiscal year, after 271,000 in the equivalent period of the previous one. The showcase automobile sector alone saw 23,000 job losses in export units.

Ocean of mediocrity

India’s manufacturing industry is made up of islands of excellence in an ocean of mediocrity. Its contribution to the GDP is stagnating at 16%, and from 2005 to 2012 it did not even create 10 million new jobs according to an OECD research paper (Joumard et al., 2015). Given that India has 1.2 billion people, that number is minuscule. Skilled labour and infrastructure are lacking. Enterprises with fewer than 20 staff account for more than two thirds of manufacturing employment.

India has not gone through the classical transformation from the primary sector (agriculture and natural resources) to the secondary sector (manufacturing) and then tertiary sector (services). Instead, the country jumped right into services, thanks to a large number of people who are proficient in maths and English and satisfy global demand for data processing. However, even IT services are in trouble with declining global orders, though there is some good
news in the financial-services sector. The bottom line is that the government’s agenda seems to have veered away from what ordinary Indians need.

It is worrying, for instance, that the government is pleasing the international pharmaceutical lobby by accepting IP rights. As a result, vital, low-cost medicines may become more expensive. That would please multinational corporations but thwart affordable health care for poor people.

Modi has other priorities. Thanks to his diplomatic efforts, the USA has formally recognised India as a “major defence partner”. The rapprochement will make it easy for India to access sophisticated US weaponry and technology in order to modernise its army and arms sector. How much of it will actually be made in India is not clear.

Going by current indications, the industry leaders in all sectors are not very enthused about the investment environment, and sceptics believe that ultimately, “Make in India” will lead overseas manufacturers to set up shop in India. They will exploit cheap labour, benefit from government subsidies and take advantage of lax laws on environmental protection and occupational safety.

Government rhetoric puts things differently, of course. Modi likes to speak of “zero defect, zero effect”. This slogan implies that all manufactured goods will be so flawless that foreign buyers will not want to return them, and that environmental protection will be so stringent that nature will not be harmed. This is easier said than done. One of the showpieces of the “Make in India” campaign was an Indian smartphone that would cost the equivalent of merely four dollar. It ended in embarrassment with the first 5 million phones being imported from Taiwan.

The prime minister obviously wants to emulate China. But India does not have the same preconditions. China is a dictatorship that neither permits independent trade unions nor respects labour rights. For obvious reasons, India’s trade unions oppose “Make in India”.

China’s initiative to produce goods for the world market, moreover, was launched when the global economy was expanding, and its cheap labour and low-cost facilities attracted world-class technology. India missed that boat. On the other hand, India already has private-sector corporations that perform strongly on the world market, and manufacturing does not need to be kick-started with FDI (see D+C e-papers 2015/12, page 20 and 2016/02, page 32).

The country should focus on areas where it has a comparative advantage and foster policies to make society inclusive. This means paying attention to farming and food security, focussing on environmental health and promoting energy security based on renewables. Social and health infrastructure, first-class civil infrastructure and a fast-working bureaucracy are prerequisites for the kind of growth that could free 500 million Indians from poverty. The approach of “Make in India”, in contrast, is likely to bypass the poor.

A worrying trend, moreover, is that foreign portfolio investors are becoming ever more influential players on India’s stock market. Perhaps India should learn a different lesson from China’s example. Foreign investors have increasingly been attracted to the People’s Republic because they want to sell goods to its huge population. India’s population is almost the same size, and if it had the same purchasing power, it would be just as attractive.
New strategy for Africa

A politically stable and peaceful environment is essential for economic development. Conversely, a thriving economy is a major factor in securing political stability. International exchange also promotes the transfer of skills and technology. Germany and Europe need to shift their focus from poverty reduction to the promotion of private business involvement.

By Christoph Kannengießer

Botswana is more politically stable than Germany. This is indicated by a comparison of countries by the World Bank. Namibia and Mauritius come below Germany in the ranking but are still ahead of the USA, Britain and France. And they are not the only countries in Africa that score high marks.

Across nearly the whole of Sub-Saharan Africa, political stability has improved significantly in the past ten years. There are fewer conflicts, more democratic elections and more peaceful changes of government. Africa no longer deserves the image of a continent of crisis and conflict.

Nevertheless, Africa is all too often perceived as too insecure and chaotic a place to do business. But many who think so forget that the continent consists of 54 countries – with very different forms of government and different resources. There are civil wars, corruption and poor governance; there are also, however, many governments doing a great deal to improve the investment climate. Accordingly, development differs from one country to another.

Many African countries are not just politically stable; they are also comparatively prosperous. In South Africa, Namibia and Algeria, for instance, per capita income is higher than in China. Cities like Lagos and Nairobi long ago saw the development of a middle class with consumer needs similar to those in industrial countries. Development in Africa is very strong where private actors and enterprises play a defining role.

Africa currently has a population of more than a billion. By 2050, it will have doubled. Population growth is one of the drivers of economic growth. At the same time, it presents a massive challenge for individual countries. Senegal will be home to nearly 200,000 more people this year, Egypt 900,000, Nigeria 2 million and Africa as a whole 30 million. In 2050, Nigeria will be the world’s third most populous country after India and China. By then, the EU Commission calculates that Africa will need 400 million jobs.

To create more jobs, Africa’s natural resources need to be processed in the future within the continent itself. This is essential to increase value creation and reduce dependence on imports. At present, manufacturing industries account for only 13 % of GDP in Sub-Saharan Africa. That is more than in Britain or France but far less than in China and other emerging markets. Industrial export performance is also poor: industrial products make up only a quarter of African exports. In many East and South Asian countries, they generate three-quarters of export earnings.

Demand for industrial goods, too, is still low. The value of German machinery supplied to Sub-Saharan Africa recently rose to € 4.4 billion. But exports to Asia were worth nearly ten times that figure, and deliveries to Europe almost twenty times more. To make manufacturing in Africa a viable proposition or even to permit local maintenance of imported machinery, shortages of infrastructure, energy and human resources need to be addressed and overcome.

After decades of development aid has failed to carry the continent significantly forward – critics even consider it partly to blame for Africa’s underdevelopment – there is now a growing belief that private-sector involvement offers the only hope of raising Africa out of poverty and stopping it falling behind the global economy. The continent needs investment by local and international companies.

Germany and Europe need to switch their focus from poverty reduction to promotion of business community involvement. If it is more attractive and less risky for companies to invest and earn money in Africa, the catch-up process will be significantly faster.

Instruments exist that are easy to implement and meet the needs of companies wishing to operate in
Stability promotes economic development

Political instability and public resentment can be fuelled by many factors. Border conflicts and the annulment of limits on terms of office are two examples. Acts of terrorism and high unemployment often trigger economic problems and social unrest. And even natural disasters and climate change with severe economic consequences can increase the risk of war and social conflict – which destroy la- borous achievements of the past.

Economic development can only take place in the right environment. Governments need public revenues, so they have to raise and collect taxes. State institutions need to work reliably and efficiently, corruption and capital flight need to be prevented and the rule of law established. Beyond that, the best security policy is precautionary foreign policy.

Only five percent of Africans live in a crisis area. A large number of countries are politically stable and act as drivers of development for their regions or even for the continent as a whole. Middle classes are growing, and around half of all African countries are now classed as middle-income countries.

Ethiopia is a good example of a country moving forward. Despite the current drought and ethnic conflicts, it is on the way to becoming self-sufficient in agriculture and is seen as a crucial anchor of stability on the Horn of Africa. Nigeria is the most populous country in Africa and the continent’s largest economy. Last year, there was a change of government following peaceful and democratic elections. Not long afterwards, the National Dialogue Quartet in Tunisia was awarded the Nobel Peace Prize for efforts to build a pluralistic democracy.

According to the Freedom House index, Botswana, Benin, Namibia, Ghana, Senegal, Mauritius and Cape Verde rank among Africa’s exemplary democracies. In many of those countries, direct investment and imports have increased sharply in recent years. Even regions in crisis are making good progress. Somalia is stabilising after the unprecedented disintegration of the state in 1991. And a number of West-African countries have joined forces and achieved initial successes in the fight against the terrorist group Boko Haram.

How closely a country’s economic development is connected with its political stability can be seen from the effects of the low oil price. Nigeria and South Africa ran into difficulties after the drop in crude oil prices and the resulting dramatic fall in export and government revenue. South Africa has seen repeated outbreaks of civil unrest in recent years, and communities in northern Nigeria are terrorised by Boko Haram.

Oil-importing countries such as Tanzania, Kenya and Senegal have been able to profit from the low oil prices, partly thanks to their more diversified export sectors. The highest growth is currently anticipated in Côte d’Ivoire – a result of sound government policy and high cocoa export revenue.

Positive change processes deserve to be more than just acknowledged; they should be actively supported. Prospects for people improve when institutions and other prerequisites for a strong national economy are created at local level. That process needs to be shaped by domestic and international companies. So the local private sector needs to be strengthened and the economic involvement of foreign companies encouraged.
Africa’s metropolitan middle class has similar consumer demand as its counterpart in industrial countries: fashion show in Lagos.

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Africa. At the very top of the wish list are less costly and more accessible export, project development and investment guarantees. The German government remains hesitant on this front. And that needs to change. At the same time, investment in infrastructure and energy supply must be stepped up and opportunities for practical skill development created in conjunction with the private sector.

In the wake of its plan to forge “migration partnerships”, the European Commission intends to do more than at present on the issue of guarantees. That is a step in the right direction. It will motivate European industry to invest money and expertise in Africa and thus also contribute to countries’ development. However, restricting guarantees to the main countries of origin and transit of refugees is short-sighted and interventionist and will create totally wrong incentives for African governments.

It would be better to be guided by companies’ needs and African countries’ economic policies. The main beneficiaries should be those that create a good climate for investment, diversify their economy and create prospects for their people. So, instead of predominantly supporting the poorest countries, development aid efforts should also focus on countries that may help drive modernisation across the continent.

Well over half of Africa’s population is under 25. Most young people have smartphones and get news from the internet. They know exactly how people live in other parts of the world. Unless effective action is taken to help this young generation find work, there is an imminent risk of impoverishment and civil unrest. Many will turn their backs on their country. German and European companies can make a valuable contribution towards creating prospects at local level. Policymakers need to remove obstacles and help them do it.
Modest impact

Aid for Trade (AfT) programmes are viewed as a great success by the organisations in charge. The academic literature, however, draws an ambiguous picture of the effectiveness of foreign aid in strengthening the export capacity of recipient countries. Empirical studies show that the quantitative impact is modest, and middle-income countries are more likely to benefit than low-income countries.

By Peter Nunnenkamp and Rainer Thiele

The AfT initiative was launched at the WTO Ministerial Conference in Hong Kong in 2005 to help overcome the supply-side and trade-related infrastructure constraints of developing countries and support their integration into international trade (OECD/WTO 2011). Since then, donors disbursed $265 billion in official development assistance (ODA) – plus another $190 billion in other, non-aid official flows – for financing trade-related programmes in developing countries (OECD/WTO 2015). The most relevant aid categories for these programmes – aid for economic infrastructure and aid in productive sectors – existed already prior to 2005, but donors have pledged to commit additional funds since then.

The AfT initiative is praised routinely as an unmitigated success by the organisations in charge. According to the latest AfT report of 2015, “in particular the case studies that beneficiaries submitted [show] that these programmes have improved trade performance, generated employment, including for female workers, and attracted further domestic and foreign investment” (OECD/WTO 2015). This is in contrast to the academic literature. Earlier theoretical as well as empirical studies offer an ambiguous picture of the effectiveness of foreign aid in strengthening the export capacity of recipient countries. Donors are widely believed to use aid as a means to foster their own commercial interests (e.g., Berthélemy 2006; Hoeffler and Outram 2011).

The largest part of AfT aims at financing infrastructure such as transportation, communication and energy supply. The argument that improved infrastructure stimulates a country’s exports commands wide support in the literature. It is often neglected, however, that donor exports are promoted by better infrastructure too. One may even suspect that donors deliberately select infrastructure projects that serve their own export interests.

Another observation points to additional selfish donor motives. The regional distribution of AfT was traditionally skewed towards Asia, even though many developing countries in this region are closely integrated into world trade already, whereas African countries received a smaller share of AfT. From a needs-based perspective it is also striking that the least developed and other low-income countries received just 29% of total AfT between 2006 and 2013.

Promoting trade in both directions

Against this backdrop, researchers at the Kiel Institute for the World Economy, in cooperation with colleagues at the Kiel University and Helmut Schmidt University in Hamburg, assessed the effects of AfT from OECD donors on exports and imports of recipient countries.

In the first step, they focussed on trade relations between donors and recipients. The aim was to identify different effects of AfT on trade flows in both directions using statistical tests. One would expect that the exports of recipient to donor countries would grow much more than the imports from those countries — if the self-interest of donors played no role.

According to the empirical estimations, AfT promotes trade in both directions. A doubling of AfT means that exports from recipient to donor countries increase by about five percent, while imports by recipients from donors increase by about three percent. Hence, the results do not support the sceptical view that donors grant AfT primarily to promote their own export interests.

Most strikingly perhaps, the effectiveness of AfT varies only modestly between different types of donor countries. The quantitative effect of AfT on recipient exports is relatively stronger for the sub-group of donors that are widely perceived to be altruistic, such as Denmark and the Netherlands. There is no evidence, however, that donors classified as egoistic, such as France, use AfT mainly to promote their own export interests.
Nevertheless, the researchers point to important limitations of the AfT initiative. In low-income countries, where supply constraints tend to be most severe, the positive effects on exports were smaller than in middle-income countries. By contrast, AfT boosted the imports of the low-income group.

The findings on selected regions point into the same direction. AfT promotes exports of East Asia and Latin America better than of sub-Saharan Africa, where it is most needed. At the same time, AfT leads to higher imports from donor countries mainly in sub-Saharan Africa.

In the next step, the researchers analysed whether AfT helps intensify trade relations between developing countries. Positive effects on south-south trade would provide strong indications that AfT is effective as donor interests should not play any role here. And indeed, AfT seems to promote a country’s exports to all other low and middle-income countries as well as imports from these countries. Distinguishing between low- and middle-income countries, the evidence suggests that AfT can improve the trade balance of low-income countries in south-south trade. Such an AfT-induced south-south trade surplus could then be used for imports from high-income countries, which are often required to foster economic development.

Finally, the question was raised whether AfT helps recipient countries upgrade and diversify their exports, as primary commodity dependence continues to be a major concern of many developing countries. It turned out that AfT hardly affects the recipient countries’ exports of primary commodities, but boosts exports of manufactured goods. This implies that AfT has been effective in upgrading the export structure of recipient countries. At the same time, it can be ruled out that the AfT initiative was motivated mainly by selfish donors being interested in better access to primary commodities.

All in all, recipients benefited at least as much from AfT as the donors themselves. While the assumption that donors grant AfT primarily to promote their own export interests proved to be wrong, recipients should generally not expect too much from AfT: the quantitative impact is modest, and middle-income countries are more likely to benefit than low-income countries.

Regarding policy implications, it could prove useful to shift the focus from projects in infrastructure and production sectors toward support in the field of trade policy and regulations. Potentially, donors could achieve much more for the recipient countries’ integration into global trade by raising a relatively small amount of technical assistance with respect to trade facilitation, compared to spending the same amount in infrastructure or production sectors. Donors should also redress the skewed distribution of AfT. For greater effectiveness, however, a better targeting of low-income countries is not sufficient. Refined country-specific criteria to identify recipients with favourable local preconditions are required too.

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Oil and development

When poor countries started producing oil, they thought that was the key to economic growth and prosperity. Since then, the impacts of resource wealth on producing countries have been the subject of endless debate, with many even speaking of a "resource curse". For a long time, the relevant literature was profoundly sceptical; today, perceptions are more mixed.

By Nassir Djafari

In the mid-1990s, critical voices dominated the debate. An empirical study that covered 97 developing countries from 1971 to 1989 (Sachs and Warner, 1995), noted, for instance, that resource-rich economies grew more slowly than resource-poor ones. The researchers found that high oil revenues fuelled greed and rivalry within the elite. Moreover, the commodity boom led to the appreciation of national currencies, making non-oil exports more expensive on the global market. This effect is known as "Dutch disease". It hampers the development of domestic industries, thus compounding the oil-dependency.

Karl (1997) carried the argument further in his much-quoted work "The paradox of plenty". He contended that oil wealth creates an incentive structure that inhibits development. Massive revenues from oil exports mean there is no need for a government to promote development to generate income. Oil revenues become rents – income that does not require efforts. A system of patronage helps to create a social class that profits from public contracts, civil-service jobs and other advantages that result directly from the government’s oil revenues. The primary goal of that class is to maximise its "rentier" income. Corruption is an intrinsic feature of rentier states.

Eifert, Gelb and Tallroth (2002) took a different approach. They saw the key challenge in managing oil revenues. Because the oil price is twice as volatile as those of other commodities, price shocks are hard to predict, which makes it difficult to plan government budgets as revenues are uncertain, and boom and bust cycles must be avoided. Moreover, savings should be made for future generations.

Many oil states, however, were over-optimistic when assessing future revenues in times of high prices and kept increasing their spending. Such expenditure became unsustainable when prices fell again, so many governments took on more debt. The authors showed how saving during a high-price phase and pursuing a systematically anti-cyclical fiscal policy can help an oil producing country guard against oil price crises and manage its oil wealth in an economically sustainable fashion. They took Norway as an example.

Isham, Woolcock, Pritchett and Busby (2005) examined the connection between resource wealth and the quality of institutions. Their study of 90 developing countries from 1974 to 1997 concluded that countries that export manufactured goods generally have better governance than those that export commodities. In the authors’ view, the rent effect of natural resources undermines democracy, delays modernisation and compounds problems of inequality. States...
that can afford to leave people pretty much untaxed are less accountable than states that must show tax payers results.

On the one hand, the oil states can keep the people happy with welfare programmes and transfer payments; on the other, they have the means to suppress opposition by force. The elites have little interest in developing and diversifying the economy, since doing so would create alternative sources of power (urban workforce, middle class, private-sector enterprises), which could undermine the fundament of the rentier state.

Auty (2012) offers a good overview of the literature on the topic of “oil and development” and the political economy of oil in the Middle East and North Africa (MENA) in the past 40 years. In the high-price phase from 1973 to 1982, high profits from oil exports largely served to expand the public sector in the MENA region. The ruling elite fed its patronage networks and thus consolidated its political power. However, the state administrations became ever more inefficient.

Populous oil states like Algeria, Iran and Iraq pursued a strategy of state-controlled import-sub-
stitution, trying to make the most of oil money by establishing petrochemical and steel industries. But when the oil prices started to fall in 1985, they shelved investment plans and cut back large-scale social programmes, which was far more difficult politically.

In the belief that prices would rise again soon, the governments also started dipping into their foreign-exchange reserves, and they took loans to finance budget deficits. Accordingly, external debt more than trebled in the MENA region from 1985 to 1996. But lessons were learned. In the high-price phase from 1999 onwards, governments saved more and reduced their debt levels. A number of countries followed Norway’s example by establishing sovereign wealth funds, into which they invested extra revenues. What did not happen, however, were structural reforms that would have transformed rentier economies into productivity-driven economies.

Heilbrunn (2014), by contrast, emphasised the opportunities presented by oil wealth. In “Oil, democracy and development in Africa” he concluded that over decades of oil production, many countries underwent a subtle economic transformation. According to him, oil money leads to pockets of capital accumulation, so domestic investments were attracted. A domestic market emerged for financial and insurance services, homebuilding, consumer goods and the entire range of products that the oil industry needs. These new activities sparked the development of a middle class. Businesses engendered by oil money, moreover, made it vital to define rules and ensure that new economic sectors run smoothly. The consequence was institutional development, which, according to Heilbrunn, turned out better in countries with a favourable historical background.

With money at their disposal, many African governments spent more on poverty reduction, education and health care, which in turn opened up new economic prospects for the people. Heilbrunn does not deny that the oil boom had negative impacts, including Dutch disease, corruption and resource-motivated armed conflict, on some countries. Overall, however, he concludes that oil production is a dynamic and open process that can steer a country in different directions.

IMF economists Cavalcanti, Da Mata and Toscani (2016) similarly saw oil wealth as a positive asset. In a long-term study, they compared development of Brazilian municipalities with and without oil over the period from 1940 to 2000. In those 60 years, the per capita income rose 25% more in the oil municipalities than in the control group. The main driver of this economic growth—the authors found—was the service sector. The oil workers’ pay generated demand for additional services and thus stimulated the local economy. At the same time, urbanisation advanced faster. Nevertheless, the authors do not rule out that macroeconomic impacts such as nominal appreciation of the currency can lessen the positive effects for the local economy.

Overall, it is clear that closed theories like Karl’s take too little account of the historical dimension, especially the long-term nature of development. Country comparisons, such as the one carried out by Sachs and Warner, use highly aggregated variables, so it is difficult to form a sufficiently clear picture of institutional factors and the various policy measures taken by the respective ruling elites.

Above all, it is important to take a close look at the countries compared. Given the different history, it is not surprising that industrial countries have better governance indicators than resource exporting ones. Such comparisons do little to explain the impacts of oil. As Peters (2014) points out, many of the negative features noted in oil states—authoritarian rule, patronage networks, corruption and fiscal crises—also apply to countries that do not have oil. The “resource curse” approach does not explain the matter, which requires closer reflection.

Against this backdrop, Heilbrunn’s focus on the historical background of the oil-producing states is quite convincing. The historical perspective leads to the conclusion that processes of social change take place subtly and take time. And that is also confirmed by the long-term study conducted by Cavalcanti, Da Mata and Toscani.

There thus seems to be no automatic determinant of the failure or success of resource-rich countries. On the contrary, they result from an open-ended dynamic process that depends on a number of largely historical, country-specific factors.

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More organic farming in sub-Saharan Africa

It is very difficult to establish organic farming in Africa, although it offers many advantages over conventional cultivation. A key challenge is to generate sufficient biomass for organic soil management in semi arid areas. Specific action to support the enhancement of degraded soils is needed.

By Susanne Neubert

To safeguard its own viability and feed the continent’s growing population, Africa’s smallholder agriculture needs much higher yields per hectare. At the same time, it must become more resilient to climate change and manage the natural resources more sustainable.

To date, conventional farm inputs such as high-yielding seed, mineral fertilisers and pesticides are not sufficiently made available to African smallholders, and all to often, they cannot afford what is on offer. Input use, moreover, involves inherent economic, environmental and health risks due to price volatility, climate impacts and lack of know-how. Accordingly, more domestically produced, organic fertilisers – such as manure, compost, mulch or cover crops – must be used.

It also matters that Africa’s natural resources are being depleted fast – faster than in any other continent. All natural resources like fertile soils, water, biodiversity, forests and pasture lands are affected here. Therefore, soil rehabilitation and sustainable resource management must be key priorities, apart from improving agricultural productivity.

Environmentally sustainable management

Development debate is currently focusing on several environmentally sustainable management systems for agriculture, which result in increased yields per hectare at the same time. The most discussed approaches in Africa are:

- sustainable intensification (SI),
- conservation agriculture (CA), and
- climate smart agriculture (CSA).

In this essay, I will only consider the challenges they imply for small-scale farms.

SI (Garnett, Charles, Godfray 2012) is only very vaguely defined as yields being increased “without adverse environmental impact and without the cultivation of more land”, but the terms CSA and CA are defined a little more precisely by the Food and Agriculture Organization (FAO 2013, 2014). Each of these concepts has three pillars. CSA aims at:

- increasing incomes,
- adapting to climate change and
- reducing greenhouse gases.

CA is specified as:

- minimum tillage/abstaining from using the plough,
- constant soil cover and
- crop rotation.

In principle, all approaches serve global needs, and they can be customised to specific regions. All ecologically sustainable systems aim to enhance the use of local inputs and stop or reduce the use of external inputs, such as mineral fertilisers or at least make their use more efficient for environmental as well as economic reasons. For achieving this, it is pivotal to boost the soil’s natural fertility by increasing its share of humus. This can be only done by enriching the soil with organic matter.

Organic soils are very useful in terms of adapting to climate change, moreover. They have a great buffer capacity concerning droughts and floods and withstand erosion. A side effect, moreover, helps to mitigate climate change because organic matter contains a lot of carbon. Soils are thus sequestration sinks for greenhouse gases.

The sustainable management approaches differ in their varying emphasis on individual elements. CA focuses on soil protection, especially by not using the plough. CSA focuses on adapting to climate change profitably, for instance by mulching; SI uses compost in order to reduce the need for mineral fertilisers. In practise, however, all the three approaches are often the same and serve to enrich the soil’s organic matter content.

Certification, yes or no?

There is no monitoring or certification system for the above-mentioned sustainable management approaches, so the smallholders concerned cannot demand higher prices for their products. Since one should not create a niche market for rich people in countries, where hunger and poverty are widespread, this scenario makes sense.

Without certification, however, there is no price incentive for small farmers to adopt sustainable farming methods. They will only adopt them if they are personally convinced, have other economic reasons or because they are involved in a project or support programme. This means there is a risk of sustainable methods being gradually abandoned, for example, as subsidies expire. Such dilution has indeed been observed in CA and CSA programmes and is subject of critical public debate.

In contrast, organic farming (OF) is the only method for which there are clear guidelines. Originally, the paramount goal was to produce healthy food free from chemical residues. But environmental awareness also mattered, and it still does. Organic farming is primarily about closing nutrient cycles, so the use of mineral...
fertilisers and pesticides is ruled out. OF associations monitor compliance. In turn, certification allows for higher prices than are paid for conventionally produced food stuff. However, in Europe the yields of organic farms are around 20% lower on average than those of conventional ones. Higher prices make up for this yield difference.

In Africa, the prevalence of certified organic farming is still very low, only amounting to about 0.1% (Hesse et al. 2009). It is almost exclusively limited to export production, because it can be monitored and certified, so European consumers will be willing to pay higher prices.

Whether organic farming is an option even without certification for Africa’s domestic markets is being discussed. On the upside, the yield differences between conventional and organic farming are smaller or even non-existent in Africa. Sometimes – and especially if the conventional reference system is weak, OF even leads to higher yields at lower costs (De Ponti 2012), so OF could be more profitable for small-scale farmers even if their goods do not fetch higher prices than those of conventional farms. Certification would become irrelevant.

**Obstacles for organic farming**

If this is so, then why is OF not much more popular in Africa? There actually are a number of obstacles. All sustainable cultivation systems essentially rest upon the build-up of organic matter in soils. Organic farming traditionally includes the utilisation of animal manure. In regions where cattle are hardly held, green manure, mulching, trees planting for agroforestry systems or composting can serve the purpose.

Building up organic matter is not simple however. It requires precipitation, because biomass is only built up when it rains. This is a huge challenge in many African regions with only one short rainy season. In temperate zones rainfall is spread over more time, so crops especially grown for enriching the soil fertility and ploughing under can be grown right after the main crop. This is not feasible in many African regions where short rains only allow for one crop per season. For these regions, another option is to plant trees and practise agroforestry. But to do this properly, one needs appropriate seeds, planting stocks, know-how and labour capacity, all of which tend to be in short supply. Moreover, the investment costs are quite high.

In Africa, animal manure typically accrues in too small quantities. Most farms only hold a few small ruminants, such as goats and sheeps, which are mostly kept without stables, so the manure would have
to be collected all the time. Moreover, farmers often lack means of transport, so they would have to distribute the manure manually on the fields, which takes a lot of time. In quantitative terms, it would be much better to apply bovine manure. However, only pastoralists, who do not belong to the same ethnic groups as the farmers, hold cattle in relevant numbers, and their relationship to farmers is mostly competitive. Reestablishing win-win situations in which crop farmers and pastoralists benefit from each others’ manure and plant residues would make sense, but it is very hard to do in the present political situation, in which tensions between different ethnic groups are growing.

Know-how and Innovations

To sum up, all sustainable farming methods are hard to implement in sub-Saharan Africa – whether with or without certification. Often, additional labour will be needed, and innovations are necessary. Support is needed at several levels:

- suitable agricultural policies must foster sustainable land-management approaches and offer agricultural extension services that are competent in ecologically sustainable land management practices,
- research is still needed to identify the most suitable approaches for smallholders in different agro-ecological regions,
- loans and credits must be made available for means to transport manure and compost,
- farmers need devices for minimum tillage (as a substitute for the plough) and for mechanised weed control or even, in breach of orthodoxy, herbicides so they can reduce manual labour intensity,
- subsidies are needed for the acquisition of suitable seed (plant varieties and tree species), and
- targeted subsidies (e-vouchers) must promote soil enhancement.

In particular in places where soils are already degraded, sustainable methods will not be adopted widely unless they are supported by an appropriate agricultural policy. Ultimately, how strictly the systems are adhered to is only of secondary concern. The top priority is to work towards several goals at once, which are being more productive, more sustainable and resilient as well as profitable in very challenging conditions.

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Gender

The roots of the family

In many African countries, men and women are now equal according to the law, but there is often a glaring difference between codified legal norms and reality. That is so even in South Africa, which has set path-breaking examples in many respects.

By Rita Schäfer

In 2015, the African Women’s Decade was halfway over. It was announced by the African Union on 15 October 2010 in the Kenyan capital Nairobi. That date was chosen to coincide with the International Day of Rural Women. Indeed, many African women farm land that they do not own, providing food to their families as well as to the people in general. Accordingly, the African Women’s Decade’s objective of taking a “grassroots approach to gender equality and women’s empowerment” really matters.

The African Development Bank’s 2015 African Gender Equality Index reflects the great importance of land ownership and rural infrastructure. Land is vital to ensuring families’ livelihoods, especially in times of political or economic crisis. But women own only 15% of land in Africa.

According to a saying from Zimbabwe, women are the roots of the family. The country’s regime, however, is guilty of abuses of power and has drastically limited women’s opportunities. The very women who used to fight against colonial rule are now forced to beg for handouts of international food aid. Making matters worse, civil servants and party operatives all too often demand sexual services in exchange for aid packages.

The gap between AU aspirations and Zimbabwe’s ground reality is huge. It bears mention that Robert Mugabe, who has been Zimbabwe’s authoritarian president for decades, was only recently serving as AU chairperson as well.

For years, research on gender, women and family issues have proven the adage that “the private and personal is political”. The essay collection “Under Development: Gender” offers many compelling examples (Verschuur/Guérin/Guétat-Bernard 2014).

African women and their families are afflicted by maternal as well as infant mortality, by HIV/AIDS, various nutritional deficiencies and inadequate health-care systems. In many war-torn countries and in underequipped refugee camps, sufficient food and medical care are not available. That is so in Uganda or Kenya for example. Anne Bellows’ team of human rights researchers provides interesting information on these matters (Bellows/Valente et al. 2015).

More than 12 million HIV/AIDS orphans in Africa are in need of care. If
pregnant women had been given adequate antiretroviral medication, they would not have passed the virus on to their children. If, moreover, comprehensive HIV prevention programmes existed for men, the situation would never have become so dire. Both, however, would have required significant investments by international HIV/AIDS funds as well as progress in fight against corruption (understood as the abuse of public office for private benefits). Cornwall et al. and Freedman discuss the role that men’s reproductive health plays in politics (Cornwall/Edström/Greig 2011; Freedman 2013).

Educational campaigns should have taught men a long time ago that an HIV infection is not evidence of virility, and that AIDS kills them. Many men are becoming aware of these simple facts only now. HIV rates are especially high in countries like Malawi and South Africa, where religious and/or political dogmas have long had a bearing on health-care policies. Failure to stem the pandemic, however, means that orphaned teenagers are now forced to fend for their younger siblings and, in some cases, their grandparents as well.

The situation of women and children was especially bleak in the ‘homelands’ created by the South African apartheid regime from 1948 onwards. Infrastructure was systematically neglected there, and most of the land could not be used for agriculture. In the mid 1980s, hunger and malnourishment among children was as bad in the homelands as it typically is in warzones. At the same time, multinational corporations were investing in South Africa, despite the UN sanctions. The UN had denounced apartheid as a crime against humanity.

So far, only one South African corporation (and not a single foreign one) has ever faced consequences for the fact that many employees became gravely ill, disabled or died at work, especially in mines with poor safety conditions. Wives and daughters had to feed and take care of the men concerned. Many families never received any compensation for injuries suffered on the job. Today, the South African state has assumed responsibility for supporting the impoverished and disabled men, widows and families.

Scholars studying South Africa have shown that the problems families face today have historical, political and economic roots (van den Berg 2015). It is, however, not enough to offer help only to teenage mothers and victims of domestic violence after beatings or rapes took place. Comprehensive preventative measures are necessary.

After 1994, South Africa made gender equality and protection from violence part of its post-apartheid constitution, establishing new legal standards for launching programmes to prevent domestic violence. In 2000, moreover, it passed the Promotion of Equality and Prevention of Unfair Discrimination Act. It is in line with international treaties and AU agreements. According to the act, federal law supersedes traditional law, and all women have equal rights, including all women who were married according to traditional legal norms.

In 2012, neo-traditionalist factions in the ANC, the ruling party, tried to weaken these legal protections. But a strong coalition of civil-society organisations managed to block their attempt. Homosexuals, who had won the right to marry in 2006, joined millions of women who had been married under traditional law. They all feared they might lose their legal protection against discrimination. They prevailed, but neo-traditionalists in parliament have since attempted to amend the law again, and in practice, the rights of traditionally married women are often simply ignored, as South African legal scholars have noted (Thipe 2013).

South Africa’s Domestic Violence Act of 1998 and Sexual Offences Act of 2007 are meant to ensure that perpetrators of gender crimes are brought to justice. However, women in rural areas have a hard time pressing charges. At the same time, abortions are also difficult to obtain, although they were legalised in 1996.

One third of the women who give birth in South Africa are teenagers. Because of their young age, even mothers unafflicted by HIV are prone to pregnancy complications. Single mothers raise about half of all children. Many men who never experienced their father’s care have difficulties taking on family responsibility (see essay by Sonwabiso Ngcowa in D+C/E+Z e-Paper 2016/07, p. 18 ff.).

An interesting study on South Africa indicates that good parenthood helps to reduce violence (Wessels/Lester/Ward 2016). Where conflicts are resolved more peacefully, the health of mothers and children improves. Especially in rural areas with high rates of poverty and unemployment, however, people cannot attend parenting courses.

They struggle with the typical issues that generally compound poverty in developing countries: poor infrastructure, sudden illnesses and the lack of long-term employment, for example. The researchers see these problems in the context of the policy goals of reducing poverty and inequality. Important issues for national development planning thus include decent employment, incomes and appropriate housing.

References


Palgrave/MacMillan.


Links


Debt crisis ahead

Mozambique’s most recent corruption scandal shows where the excessive dependency on commodity exports leads. However, a positive twist is still possible.

By Gina dos Reis and Jürgen Kaiser

The reaction of Christine Lagarde, the managing director of the International Monetary Fund (IMF), was unusually harsh. When it became clear that Mozambique had granted three half-state-owned businesses government guarantees amounting to $2.1 billion in total, she froze all withdrawals from the current programme and publicly stated that the Mozambican government was obviously concealing corruption. That is probably true. What matters more, however, is that the recent IMF analysis shows where the development model of exploiting natural resources leads. The risks are similar in many other resource-rich countries.

After Portugal’s colonial rule ended, Mozambique became the scene of a proxy war in which the government of the Mozambique Liberation Front (FRELIMO) was supported by the Soviet bloc and the rebels of the Mozambique National Resistance (RENAMO) were supported by the West and South Africa’s Apartheid regime in particular. The civil war caused great human suffering, and the debt swelled. Thanks to international debt relief in the context of the Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI) a new economic beginning was possible after the year 2000.

Since then, however, the ratio of debt to economic output has been deteriorating again, at first slowly, and then faster and faster. There are two reasons:
- Mozambique’s infrastructure must urgently expand.
- The interest rates in the developed world are extremely low, so private-sector capital is flowing to Africa.

Investors have taken great interest in Mozambique because of its enormous gas reserves right off the coast. According to a “baseline scenario,” which the IMF considers to be the most likely one, the country’s external debt will rise from today’s 106% of gross domestic product (GDP) to 126% by 2019 and almost 190% by 2020. It is noteworthy that primarily private-sector companies, not the state, are taking loans.

It also matters that direct investments amounting to 21% of GDP are currently flowing into Mozambique. According to the IMF estimates, this share will rise to 65% by 2019. While this trend does not create any debts, the influence of foreign companies is growing fast in natural-resource exploitation.

The outlook is grim. In 2020, Mozambique will still be a low-income country and its liabilities towards foreign countries are about to reach Greek levels, so 36% of export revenues will be needed for debt servicing. Mozambique’s economy will thus be reduced to a mere appendage of the commodities business, and the entire economy, including the infrastructure, will be increasingly dominated by international corporations.

The IMF expects high annual growth rates of 7.2% on average from 2015 to 2020 and even 11% from 2021 to 2035. For this to happen, however, energy prices must rise fast on the world market, and agriculture must not suffer drought. Droughts, however, are a likely impact of climate change. Mozambique will probably have a stagnating economy, but a huge foreign debt to bear.

The IMF is downplaying the risks, arguing that the state is not responsible for private debts. That is true. However, that equally applied to Ireland and Spain in the global financial crisis, but those governments were soon forced to borrow heavily to bail out the banks. Something like that may easily hit Mozambique. It is a warning sign that all its newly uncovered “hidden” debts relate to gas exploration along the coast.

The resource curse is increasingly hurting Mozambique’s young democracy. Private interests are undermining administrative and governmental leadership with their great financial clout. The fiscal capacity of the state is small in comparison, and its officials are becoming corporate puppets.

Mozambican democracy can yet be saved. Social movements think the FRELIMO has enough democratic substance, so they raise this demand. A crucial question, however, is whether the donor community will realise that the current development model leads into debt, so they must not support it any longer.
Look beyond private schools

Since the Islamist extremists who killed hostages in Dhaka on 1 July were privately educated, the government of Bangladesh is now blaming private sector education. The failure of state-run schools and universities matters at least as much.

By M Niaz Asadullah

Six young militants attacked a café in Dhaka and killed 20 hostages, including several Italian and Japanese citizens. The terrorists themselves were killed by the security forces, and two other persons died as well.

ISIS, the international terror outfit, claimed responsibility, but the government denies it is relevant in the country, insisting that local militants are the problem. Moreover, ministers have pointed out that perpetrators were educated at elite, private-sector institutions and demanded action against such institutions. The student organisation of the Awami League, the ruling party, has announced it will form committees in all private universities to keep a vigil and “fight militancy”.

To some extent, the focus on private education makes sense. It is disturbing that young men from privileged families, who can afford to pay for schools and universities that teach in English and adhere to international standards, have turned into violent extremists. Earlier perpetrators of fundamentalist violence also belonged to that social class, including, for example, the murderers of the blogger Ahmed Rajib Haider in February 2013. Obviously, the sense of alienation can be very strong among elite youth. However, some of their Bengali victims were also privately-educated, which shows that society is deeply split.

One must look beyond private education however. One reason it has expanded fast was that state-run education sector is sub-standard. Though Bangladesh’s public universities are heavily subsidised, not one of them features among Asia’s top 100 universities. Exam papers are frequently leaked. Students engage in rote learning and rely on private tuition instead of regular classroom teaching.

The public universities are known for corruption. Scholarship, moreover, is being undermined by violent politics, with the Awami League’s youth wing playing a particularly destructive role. Its leaders keep making headlines with murder, extortion, arson, sexual offences and other crimes. Its plans to provide vigilance on private campuses therefore sound quite threatening.

Not only the universities are miserable, however, schools are dysfunctional too, as I elaborated in a paper I co-wrote with Nazmul Chaudhury (2015). Millions of adolescents are in school, but not learning. The lack of effective literacy skills and the inability to think critically can make them vulnerable to radical and extremist ideology.

Despite many limitations, English medium schools have for decades served as a complement to government’s own educational initiatives. They must not be singled out as a security threat. Doing so would only create more divisions among Bangladeshi citizens.

The government must improve its schools. It must adopt and implement credible policies for that purpose. Moreover, it must improve governance in general and enforce the rule of law. All too often, lawmakers are found out to be lawbreakers themselves. Extremism is likely to thrive in a political environment where governance is bad and there is no sense of public accountability.

Private education is certainly not the core issue, but one must assess what its contribution to youth radicalisation is. Some experts and free-market enthusiasts promote private education as a matter of principle. The London-based magazine The Economist, for example, has enthusiastically stated: “Where governments are failing to provide youngsters with a decent education, the private sector is stepping in.” It is worth considering whether that is really always helpful in view of the atrocities in Dhaka. It matters even more, however, that its approach is obviously too expensive to provide millions of poor young Bangladeshis with the education they deserve.

Reference


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Need for global action

Environmental crime is destroying our planet, undermining peace and endangering our lives. We must act.

By Erik Solheim

Picture the effects of environmental crime. Perhaps you imagine a nefarious company emptying barrels of toxic waste into a river. Maybe you see acres of clear-cut rainforest, a silent wasteland of stumps where life was once plentiful. Or you could imagine the grisly aftermath of an elephant poaching, the chainsaws used to remove the tusks still wet with blood.

Most wouldn’t picture the prolongation of a 30-year civil war, terrorist attacks, or the proliferation of international gangs. Yet these are consequences of environmental crime too. Environmental crime is not only destroying our planet. It is undermining peace and destroying lives. And it is growing in scale.

A recent study by UN Environment Programme and Interpol determined that environmental crime is now worth up to $ 258 billion. That is up 26% on estimates from 2014. “Ecocrime” is the fourth largest criminal enterprise in the world after the drug trade, counterfeiting and human trafficking.

Environmental crime also threatens global security. Enormous revenues from illegally exploiting mines have funded the FARC rebel group in Colombia, while Al Shabaab in Somalia has profited from the illegal charcoal trade. Even ISIS, the most notorious terrorist group today, funds their operations by illegally trading natural resources.

Environmental crime cuts across numerous national interests, so to fight it effectively governments need to be better coordinated. Brazil’s example of a single command and control authority to reduce deforestation in the Amazon shows how successful mobilising political will to act can be. Deforestation has since been reduced by 76%. This cooperation should also extend internationally, given the global nature of the problem.

Beyond directly funding insecurity and destroying ecosystems, environmental crime causes governments to lose revenue in the range of $9 billion to $26 billion every year, a figure 10,000 times greater than the amount of money spent combating these crimes. This money could be used to fund training, infrastructure and safeguards that prevent bloodshed and ecosystem destruction.

How do we break the cycle? We are already working in that direction and have seen some success. Recent Interpol operations have netted hundreds of criminals and hundreds of millions of dollars worth of illegally traded environmental products. UN Environment Programme and its partners are working with many countries to strengthen enforcement, monitor illegal logging through satellite systems and look at providing alternative livelihoods for poachers. We are also running a major global campaign, Wild for Life, where tens of thousands of people, from ministers to businesses to ordinary citizens, have pledged to act to end the illegal trade in wildlife.

But the mountain seems to grow as we try to climb it. We need a more cohesive approach.

The initial step is to recognise there is a direct line from the illegal exploitation and degradation of our environment to the proliferation of global insecurity. We can address the former with a view to fixing the latter.

To address it, environmental rule of law should be strengthened at all levels. That means, among other things, disrupting overseas tax havens used to launder gains from environmental crime, and punishing wrongdoers with dissuasive penalties and substantial sanctions.

Environmental crime negatively affects nature and has knock-on effects for human health. Every year, miners in the Amazon tip 30 tonnes of mercury into the region’s rivers and lakes. Doctors have diagnosed brain damage from mercury poisoning as far as 400 kilometres downstream. Loggers illegally chop down trees and in doing so degrade water and air quality.

Link

UNEP and Interpol, 2016: The rise of environmental crime.

Erik Solheim

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http://www.unep.org
Held hostage by rhinos

Nature conservation is an important issue, and South Africa wants to do more in this respect. Unless local communities are involved meaningfully, the aspirations cannot be achieved.

By Julia Bayer

South Africa plans to have 17% of its territory protected by 2020. In 2012, the share was not quite seven percent. To expand protected areas and make protection more effective, the authorities must rethink conservation strategies.

The approach of community-based natural resource management (CBNRM) was developed in the 1980s. The idea was to make communities benefit from nature conservation, thus providing them with incentives to contribute to the cause. However, the experience has been mostly disappointing. So far, local communities have not benefited much, and they are certainly not enthusiastic supporters of nature protection.

In 2015, David Mabunda, then the chief executive of South Africa’s National Parks, spoke of “missing community ownership”. His conclusion was: “We have to change our focus towards sustainable living rather than conservation only”.

Indeed, local communities tend to feel they are held hostage by the rhinos they are supposed to protect. Poor and marginalized, some are likely to get involved in poaching and snaring. They struggle to survive, need to make money and nature parks are of little help in this regard.

It is true that among conservation activists and professionals there is a lot of talk of community involvement and ownership. Action must follow, however, and so far the ground reality of the people who live near nature parks has not really been taken into account.

Consider how you would feel if someone put an elephant or a rhino in front of your home. You probably would not like that. Now imagine that the animals feed on your fields, destroying the subsistence crop you and your family depend on. Would you merely chase the animals away, or wouldn’t you be tempted to kill them?

To improve the situation, the approach of conservationists and policymakers must change. Five things are essential:

- The local community must benefit in practice and not only in theory. Otherwise, the people whose involvement is essential for success will keep feeling exploited and abused as “research objects”. They will only consider nature conservation a burden.
- Cooperation with local communities requires acceptance of their traditional hierarchies and strong sense of family ties. It is necessary to listen to individuals and understand their stories. It does not help to discuss the “the community” in an abstract sense.
- Before making any plans for protected areas, the communities’ complex cultural backgrounds need to be taken into account. Their social norms, their history and political situation all matter. People’s views, moreover, may change over time, and that will have an impact on nature parks too.
- Wherever possible, one should rely on traditions instead of taking new approaches. It does not make sense to reinvent the wheel. The more the potential of local knowledge and village competences is tapped into, the better programmes will work out.
- Government agencies and civil-society organisations that promote nature conservation must become partners of the local communities. The more the local people get to know and appreciate them, the better cooperation will become.

To build lasting partnerships, conservation professionals may need intercultural advice. The focus needs to shift from discussing the need for community involvement to actually making it happen. Better communication and mutual understanding are of key importance.

Building trust takes time, and time is short, since many species are already quite close to extinction. Since success depends on trust and good cooperation, the attitude towards the local communities must change fast. We must not lose time.

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