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Global instruments for tackling inequality: the African experience

Street artwork by Ernest Zacharevic
(Georgetown, Penang, Malaysia, 2012)

48. Global instruments for tackling inequality: the African experience

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Global instruments tried in Africa have not addressed the structural roots of inequality and poverty; all have been based on the assumption that poverty and inequality can be tackled through technical and technocratic solutions. Yet inequality is rising in certain African countries, sometimes dramatically so, and there is growing recognition that inequality has all too often obstructed efforts at poverty reduction. To address rising inequality and persistent poverty in Africa it is necessary to acknowledge the central place of politics and domestic policy spaces for building an integrated, holistic agenda of development that reconciles economic policies with social vision and active participation.

Introduction

The theme of inequality has recently gained increased importance among the priority issues commanding the attention of scholars, policy officials and politicians worldwide. This includes Africa where for a long time the focus was almost exclusively on combatting poverty and its consequences. Although conceptually distinct from one another, poverty and inequality have tended all too often to be conflated in development policy thinking and practice globally. Across Africa, fighting poverty has been one of the most consistently avowed goals of a succession of postcolonial governments, and the central programme of the international development community for the continent. There was a longstanding assumption, sometimes silent and sometimes explicitly stated, that the fight against poverty was also part of an effort to tackle inequality. Instruments designed to tackle poverty both globally and regionally were also expected to help curb inequality.

This dominant approach was, of course, riddled with challenges, not least the fact that even where poverty has been successfully reduced, inequality has been known to grow, sometimes quite rapidly and dramatically. And although success in stemming inequality has been helpful under certain conditions in containing poverty, rising inequality in other countries such as South Africa has all too often obstructed efforts at poverty reduction.

Central to the contemporary emergence of inequality as a major source of concern among scholars and policy officials was the global shift in socio-economic policy-making and governance during the second half of the 1970s and into the early 1980s that ushered in the neoliberal era. The refraction of global neoliberalism into Africa through the conditionality and cross-conditionality clauses wielded by the International Monetary Fund (IMF), the World Bank, and some of the leading bilateral and other multilateral donors, was a critical turning point for the gradual emergence of inequality as a major source of concern on the continent. The structural adjustment programmes favoured by the international financial institutions effectively compelled African countries to abandon their postcolonial, state-led models of development and move under sustained donor pressure towards a liberalized free market regime that opened the floodgates to a massive policy bias tailored to favour the rich and powerful at the expense of the poor.

During the 1980s and 1990s, this context of all-round economic crises pushed many in the ranks of the working population back into poverty, and neoliberal structural adjustment exacerbated the situation through both its deflationary policies and the deliberate transfer of opportunity to the rich in the name of market liberalization and private-sector development. And since the dawn of the new millennium, the mostly commodity-driven growth of many African countries has spurred the 'Africa Rising' narrative.

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Here inequality has been deepened by the clear absence of deeply rooted policies of redistribution, while the quality of growth itself has been so poor as to fail to make a dent in poverty. With the 'Africa Rising' expectations now severely dampened, attention will have to be shifted back to the fundamental question of the structural roots of the prolonged inability of African countries to overcome and contain growing social, spatial, gender, racial and intergenerational disparities.

Global instruments for redressing inequality in Africa

International aid

International aid is easily the oldest and most long-lasting instrument used by the international development community to try to reduce poverty in Africa and – in theory at least – to bridge global North–South inequalities. Introduced and packaged as development assistance in the face of the growing nationalist independence struggles against direct colonial rule in the post-war period, it has gone through many iterations in the hope that it could be made more effective in delivering to the poor. Although debates are rife over how more than half a century of development assistance has benefited African countries, it is a telling commentary on the overall aid experience that both recipient and donor countries feel a sense of frustration and even exasperation with the results registered to date.

The recurring question is simple: despite what would seem like huge resource commitments, why has poverty persisted and even grown, and why is it now compounded by growing inequality? Over the years, disappointment with the underperformance of aid in Africa has translated into an unending quest for a framework that can deliver mutually satisfactory outcomes. The quest has yielded lofty declarations – from Paris through Accra to Busan – but has not been successful in delivering the much-needed paradigm shift in the theory and practice of development cooperation.

Social dimensions of adjustment and safety nets

Beyond direct aid, the 1980s witnessed the introduction of a spate of initiatives aimed at mitigating what were referred to as the unintended costs and side-effects of painful but necessary market reform policies that had been imposed on African countries under the supervision of the Bretton Woods institutions. They included an assortment of hastily assembled and, for a period, ad hoc measures which were presented as an answer to critics of the huge toll which neoliberal market reform policies imposed on the working poor, to the point of reversing post-independence social welfare gains. From an initial focus on mitigating the costs of adjustment and cushioning the pain that the losers from structural adjustment had to bear, these initiatives soon became full-blown social policy instruments, spurring investments in the construction of social safety nets. Operationally, these initiatives were conceived defensively against the critics of the structural adjustment framework. They were very poorly funded and in policy terms occupied a residual category, which ruled out any possibility that they could make a meaningful difference.

The highly indebted poor country (HIPC) initiative

The HIPC initiative was introduced in 1996, at a time when the social dimensions of adjustment were being articulated in response to the poverty–inequality nexus in Africa during the 1980s. It recognized that the unsustainable debt overhang of African countries had become a burden which impeded recovery from economic crises, and ate too deeply into resources to make any meaningful dent in poverty and inequality. Under the initiative, a portion of the debt of eligible African countries was written off, and the repayment savings made were channelled into preferred social sectors and infrastructure development to improve welfare and well-being. Although it was launched with considerable fanfare and heralded as a bold new international approach to social and economic sustainability, eligibility for HIPC was tied to a rigorous adherence by African countries to the very same adjustment model that critics had suggested was, in part at least, at the heart of the problems that needed to be addressed.

The number of countries that were deemed qualified for HIPC was low, because the highly restrictive eligibility criteria eliminated many potential beneficiaries, the debt sustainability indicators used were both unrealistic and ill-conceived, and an inordinately long timespan would be needed for eligible countries to achieve completion point. The impact of the funds accruing from the HIPC initiative was more symbolic than substantive, and in time the initiative came to be seen as a tool geared more to protecting creditors than to helping the poor and vulnerable. Critics questioned the extent to which the initiative brought any meaningful debt relief, and worried that whatever assistance was offered by HIPC came from existing aid budgets rather than new money (Easterly, 2002; Issar, 2012).

Poverty reduction strategy papers

The limited social impact of these adjustment and safety net interventions, and the extremely slow pace of the HIPC initiatives, led in the face of persistent concerns about growing poverty and inequality to the introduction of the poverty reduction strategy papers (PRSPs) in the late 1990s. The PRSPs were marketed as an internationally supported initiative built on locally defined priorities that emanated from widespread multisectoral consultation, including engagements with local civil society groups. Local participation and ownership in the framing of the PRSPs was presented as offering legitimacy to the programme, while international financial and technical support would offer additional guarantees of success. Yet like other initiatives before it, the PRSPs were little more than an externally driven initiative subordinated to the neoliberal structural adjustment model, and like the adjustment programmes they operated as a one-size-fits-all instrument. What local consultation took place was little more than a pro forma exercise.

Significantly, the acceptance of the PRSPs was initially made a condition for the possible enjoyment of HIPC debt relief for many countries. They were later elevated to the status of a development strategy for participating African countries, leading critics to wonder how poverty reduction could be seen as the essence of development planning and structural transformation when it continued to be detached from the making of domestic development policy.

Given the deflationary macroeconomic foundation on which they were built, it was inevitably concluded over time that the PRSPs were a continuation by another name of the discredited structural adjustment policies of the 1980s and 1990s (AFRODAD, 2003; UNCTAD, 2002).

Formalization and titling for the poor

Even as the PRSPs were being rolled out as the new policy game in town for African countries in the 1990s, the World Bank and a number of influential bilateral donors invested in experiments designed to formalize the assets of the working and chronically poor scattered in Africa's sprawling slums through a process of land titling across the continent. Inspired by Hernando de Soto's writings and the work he did in his native Peru, resources were poured into initiatives designed to transform the 'dead assets' of the poor (worth over US$9 trillion globally by his estimate) into collateral that could be leveraged to enable them to access credit. All over Africa, an epidemic of land titling broke out, supported with financing from the World Bank, and de Soto himself was supported to experiment with making the poor more bankable through formalization in countries such as Tanzania and South Africa. The verdict was quick in coming in: evidence of better access to credit through titling and formalization was very thin. Instead, titling became a shortcut to dispossession, physical displacement and marginalization among the poor, resulting in worse poverty and widening inequality (Gravois, 2005; van der Molen, 2012).

Millennium villages and MDGs

Exasperation at the fact that the world had enough wealth, knowledge and technological know-how to eradicate poverty permanently, and yet grinding poverty continued to be the lot of hundreds of millions of people in Africa, Asia and elsewhere, propelled the plea by Jeffrey Sachs for the launching of millennium villages. Proposed as an integrated approach to tackling the problems of hunger and want, the millennium villages particularly targeted rural poverty. The villages were also marketed as being integral to the MDGs that had been adopted by the UN General Assembly. But as experiments, the villages were too few and far apart relative to the challenges at hand. And being heavily donor-dependent, they were difficult to multiply for broader effect.

Although every country committed itself to the MDGs, links between the efforts to implement the goals and investment in the villages were weak, even in the countries where they were piloted. The MDGs themselves were mostly pursued outside the mainstream policy-making, development planning and budgeting frameworks of the majority of African countries, an outcome of the extreme donorization of their implementation and the concentrated localization of their impact across different sectors (Munk, 2013).

Social protection and local entrepreneurship

Amid the drive to implement the MDGs, donor interest in social protection measures was revived, as offering quick wins targeted at the most vulnerable in society. Multilateral and bilateral donors were joined in the promotion of social protection initiatives by international NGOs keen to address issues of individual welfare and help build communal resilience in Africa. However the initiatives, ranging from cash transfers to school-feeding schemes, once again tended to be heavily donor-dependent. This put them at risk of collapse once donor resources dried up, and this was a frequent occurrence. And as initiatives that were targeted rather than universal, they were liable to the problems of stigma and quality associated with targeted schemes. Exasperation among private entrepreneurs, who were concerned that a mentality of dependence might be fostered through social protection handouts, led to the introduction of competing microfinance and small-scale venture capital schemes designed to make self-sustaining entrepreneurs out of the working poor. The entrepreneurial approach is, however, still an enclave one, like the millennium villages. What Africa needs are more interventions that are systemic in their design and import and therefore able to generate multisectoral spin-offs which are beneficial for socio-economic progress (UNRISD, 2010).

Concluding reflections

Africa has not been short of global initiatives designed to support governments to reduce poverty and stem inequality, even if inequality has not received as much robust interest as might be expected, and indeed continues to be conflated with poverty. Regrettably, most of the global instruments that have been tried have been little more than experimental, and over the decades have seen African countries going round in circles led by global institutions that appear to be at a loss for workable solutions.

None of the global instruments have addressed the structural roots of poverty and inequality in Africa; all have been based on the assumption that poverty and inequality can be tackled through technical and technocratic solutions. Bringing politics back into the policy processes is a key priority if African countries are to be able to overcome the challenge of persistent poverty alongside growing inequality. A second priority, flowing from an acknowledgement of the central place of politics, will be the recovery of domestic policy space for building an integrated and holistic agenda of development that is able to reconcile economic policies with social vision and the active participation of an empowered citizenry.

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