SHARED GROWTH: KEY TO SUSTAINABLE DEVELOPMENT IN AFRICA

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Introduction

Since sustainable development, is simply acknowledged as the ability to meet today's need without compromising future need, it is therefore understandable that issues of environmental protection and natural resources management, climate, energy resources development, and sustained growth would feature prominently, among others, in the discourse on sustainable development, no matter the context. Within these myriad of issues there is a common thread; growth and development. This is like baking and sharing the cake, without compromising the utensils and substrate on which the baking is done. For that to happen, the various stakeholders who are involved in the growth and development process must equally be committed and participate in the baking and sharing of the cake in an uncompromising or sustainable manner. This is what I call shared growth and that is the central theme of this note. Very much related to this theme is that shared and sustained growth is more assured in developed economies In developing or underdeveloped economy it is less so. In fact in developing economy it is not surprising that discourse on sustainable development often easily digress into looking at poverty reduction. Why? Because the welfare indicators in such countries (of which ours is one) is abysmally low. So my note today will provide some nuisance on nexus between poverty reduction, growth and sustainable development.

To put my submission in context let me quickly provide some current statistics on economic and social indicators in Sub Sahara Africa and Nigeria. I would thereafter provide a theoretical and empirical framework for shared growth –as key to unlocking poverty lock jam and door to sustainable development. In the rest of the note, I will discuss the essence of shared growth in developing economies and list two major constraints to shared growth and quickly make suggestions on how to achieve sustained growth.

Welfare Status in Sub-Saharan Africa and Nigeria.

Sub-Saharan Africa with an estimated population of 741 million people has per capita income of $745 and ranks above only south Asia ($684) among the continents of the world as at 2009. These two continents represent the only parts of the world where per capita income is less than $1000. With a life expectancy at birth of 46 and 47 years for male and female respectively, a sub-Saharan African male dies 19 years younger than an average male in the world while females in the subcontinent die 22 years earlier. Adult literacy rate is low with only 61 percent of sub-Saharan Africans completing primary school in 2004. Both under 5 and maternal mortality rate of 168/1000 and 921/100,000 live births represent the worst indices of health across the globe. The level of HIV prevalence rate at 6.2% is almost 62 times what obtains in the Middle East and North Africa. Sub-Saharan Africa is also ravaged by high levels of poverty incidence and inequality. Regardless of the intimidating data at the regional level, more precarious situation exists across the countries. Perhaps, no other sub-continent today deserves greater attention than sub-Saharan Africa if there is going to be a greater dent on poverty and inequality while at the same time ensuring overall economic development. More worrisome is the disaggregation of the data by sectors of dwelling (rural-urban) with the rural areas being disparagingly worse off on all indices of development. This specific situation and trend in Nigeria is shown in figure 1 below.

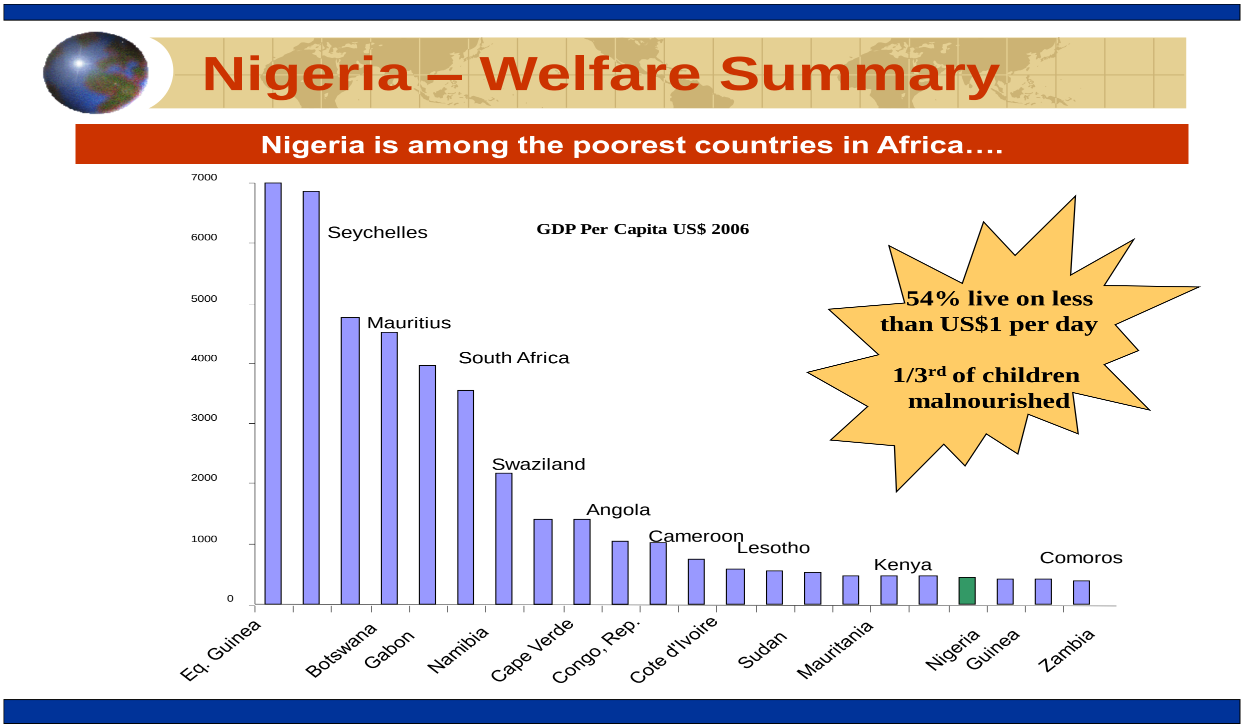

Figure 1: Nigeria- Welfare Summary

Poverty and Sustainable Development Nexus:

Over the years, economic growth had been viewed a necessary, if not sufficient, condition for development', and that 'development' was necessary for the reduction of poverty. Debate focused on the best means of achieving growth and little close attention was given to how growth would lead through development to the reduction of poverty. Such theory as was developed assumed that wealth would somehow 'trickle down' to the poor, but the mechanisms of how this would happen were not well explained. The belief that growth was 'necessary' tended to overshadow the recognition that it was not 'sufficient'. There is an ongoing debate on which should be first- economic growth or poverty reduction in the developmental agenda of countries. The two from available empirical evidence should go hand in hand as economic growth can trigger reduction in poverty and poverty reduction can lead to improvement in economic growth. Growth is good for the poor as there abound evidence that developing countries that have experienced sustained high growth over the last few decades have reduced their absolute poverty levels. Similarly, poverty reduction is good for growth as decline in absolute poverty levels have most times been accompanied by high growth rates. Though in the 'developing world', economic growth is supposed to have been leading inexorably to the abolition of poverty; the reality has been quite different. There is little evidence that absolute poverty is on an established downward trend. Not only is there persistent absolute poverty, but the gap between the rich and poor is also growing.

The rationale for economic reform to have poverty focus include ensuring that emphasis is on the welfare of the poor and that a well targeted intervention at the poor is probably an effective way of raising the average income of the poor. Also, a poverty focus is also warranted from the perspective of a broader, capabilities-oriented approach to development. However, it has been shown that targeting growth, and hoping that poverty reduction would occur, was likely to be less effective than targeting poverty reduction directly.

The rate at which growth can quickly reduce poverty depends both on the initial income distribution and how it evolves over time. In societies with more unequal distributions the same growth rate makes far less of a dent in poverty. Hence, in countries with a Gini coefficient of around 0.6 as common in sub-Saharan Africa, growth reduces poverty only half as quickly as in countries with a Gini of about 0.2. DFID has long realised and indicated that "For poverty elimination to be achieved, and for development to be sustainable ... there must be a dynamic balance between policies and actions which promote sustainable livelihoods, human development and the better management of the natural and physical environment ... establishing a pattern of economic growth that benefits all sections of society” This perhaps has led to the evolution of a new development terminology of ‘shared growth’.

Shared Growth and essence in developing Economies?

Shared growth is defined as a development strategy that views poverty reduction and economic growth as being inter-dependent goals over the medium to long term. It views the fates of poor and the wealthy as being intertwined; and the only option is to find strength and unity in our diversity, and work together towards a shared future.

Put differently, higher levels of growth have a greater impact on reducing poverty when the poor are themselves empowered to participate in economic activity, acting as agents of growth through their own activities. When poor people have access to tangible assets, such as land, housing, water, energy, sanitation, transport, credit, or intangible assets, such as education and health, they hold the means to participate in economic activity themselves and therefore are better placed to benefit from economic growth.

Following from this, the key policy lessons to be learnt here are:

- That economic growth that is accompanied by improved asset distribution will have a greater impact on reducing poverty than growth that leaves distribution unchanged.
- Worsening asset distribution (increased inequality) can offset the benefits of growth to the poor, reducing the poverty impact of future growth.
- Expanded economic activity increases tax revenue, creating the basis for funding improved delivery of education, health and other services. These public investments can be aimed toward groups that are not yet benefiting from the expansion of the economy.

However, it is a matter of fact that higher levels (6-8 percent) of economic growth are critical to reducing unemployment and poverty over the medium- to long term. At these levels Sub-Saharan economy should be able to generate sufficient investment, particularly in economic infrastructure, and stimulate the levels of economic activities that are conducive to the level of job creation that the region requires.

Major constraints to shared growth

The preceding sections has documented the need to ensure shared growth as *once the tree is well balanced the bird will also be balanced on the tree*. Therefore for the 'haves' to live a secured life, the 'have not's have to be carried along in the scheme of economic growth and sustainable development. However, along with other factors, urbanisation, inequality and pervasive poverty are a threat to ensuring broad based shared growth and often lead to compromising ability to meet future needs. This is the case in Africa and this is the case in Nigeria. Permit me to share with you two major constraints

- **Urbanisation:**
  There is growing evidence that rural-urban migration has continued unabated in African countries. This is a consequent of concentration of basic infrastructure in the urban areas. Hence, economic activities tend to be better in urban areas. Those moving out of the rural areas are indeed the next generation of human capital needed to move agriculture and allied activities (which predominate in rural areas) to the next level. There is some reverse movement in the direction of the aged who actually had led the better part of their active years in the urban sector to the rural areas. This group of people may no longer be capable of engaging in any meaningful economic activity. Here is a major issue to look at as we discuss sustainable development.
- **Inequality and Poverty:**
  The poverty problem in sub-Saharan Africa goes beyond low income, savings and growth. It features high inequality which includes unequal income and assets, unequal access to basic infrastructure and unequal capabilities (education, health status etc.). Inequality contributes to high levels of poverty in that for any given level of mean income, higher inequality implies higher poverty as smaller share of resources is obtained by those in the lowest deciles or quintiles of the population. Inequality is evident both in terms of access to services and in outcomes. The poor use social services much less than the wealthy. They have lower enrolments, are less likely to visit doctors trained in western medicine, and are less likely to have a post-natal visit. They have higher levels of child mortality, higher rates of malnutrition and lower levels of education. A significant proportion of households in the region live in very poor houses. The richest segments of the population had an advantage in access to safe water, electricity and sanitation. The poorer segments have no such access and therefore in attempt to cope with their situation, engage in activities or behave in such manner that compromise ability and capacity to meet future needs. They cut woods for energy and income. They us ineffective local herbs and traditional services for health needs. They also keep school age kids at home or into street trading- a practice that promotes intergenerational poverty.

Suggested Remedial Actions

In recent literature, researchers and policy makers are agreeable to the fact that within the next 12 years Africa can achieve robust economic growth, expanded exports, more jobs, and higher incomes—especially for the poor and those in the rural areas. The main question asked by many is just what will get us there and keep us there? I submit that shared growth will do so and the following will help improve the shared growth.

- Strengthening good governance (including public finance), and thereby facilitating political stability, broad-based economic growth, and reasonably stable purchasing power internally and externally;
- Contributing directly to improvement in the living conditions of the poor through carefully targeted, cost –effective, and well delivered assistance programmes;
- Increasing the productivity of the poor in both rural and urban areas, through efforts to facilitate their access to other factors for production (notably capital), coupled with expansion of basic infrastructure facilities, especially in the rural areas;
- Promoting the development of more appropriate technologies for farmers and other producers, for adoption of an commercialization, and
- Encouraging the participation of the poor in decision-making especially on issues directly affecting their lives.

Conclusion

I will like to conclude by quoting the former Vice President African region of the World Bank, Mr. Gobind Nankani (2008) – "We know what we want to see in Africa —higher growth, led by a more robust private sector, sustained over time and shared with all segments of society; better services delivered to even remote corners of the Continent; and as a result of these trends, a steady reduction in the numbers of Africans living in poverty. These are ambitious goals, but they can be realized by African leaders, African societies, and the international community."

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