

Inclusive Growth and Development Issues in Eastern and Southern Africa

Editor

Herman Musahara



**Organisation for Social Science Research in
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Organisation for Social Science Research in Eastern and Southern Africa
P. O. Box 31971, Addis Ababa, Ethiopia
Fax: 251-11-1223921
Tel: 251-11-1239484
E-mail: info@ossrea.net
Website: www.ossrea.net

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Acronyms

ADF	Augmented Dickey-Fuller
ADF	Augmented Dickey-Fuller, unit-roots tests (statistics)
ADLI	Agricultural Development-led Industrialisation
AGOA	African Growth and Opportunity Act
ASEAN	East Africa Community and the Association of Southeast Asian Nations
BEE	Black Economic Empowerment
CAM	Carte d'Assistance Médicale
CBHI	Community-Based Health Insurance
CGE	Computable-General-Equilibrium
CIA	Central Intelligence Agency
CMPHS	Continuous Multi-Purpose Household Survey
COMESA	Common Market for Eastern and Southern Africa
CSMBS	Civil ServantS' Medical Benefit Scheme
DRG	Diagnosis-related Group
DRG	diagnosis-Related group
EDPRS	Economic Development for Poverty Reduction Strategy
EPA	Economic Partnership Agreement
EPRDF	Ethiopian People's Revolutionary Democratic Front
EPZ	Export Processing Zone
ERHS	Ethiopian Rural Household Survey
EU	European Union
FDI	Foreign Direct Investment
FGD	Focus Group Discussions
FGT	Foster-Greer-Thorbecke
GDP	Gross Domestic Product
GEAR	Growth, Employment and Redistribution
GEE	Generalised Estimating Equations
GII	Gender Inequality Index
GLS RE	Generalised Least Squares RE
GMM	Generalised Method of Moments
GNP	Gross National Product
GPI	Gender Parity Index
GSP	Generalised Scheme of Preferences
GTP	Growth and Transformation Plan
HCI	Head Count Index
HDI	Human Development Index
HDR	Human Development Report
ILO	International Labour Organisation

IORA	Indian Ocean Rim Association
IRA	Insurance Regulatory Authority
IRDP	Integrated Rural Development Program
ISCO	International Standard Classification of Occupations
IUCN	International Union for the Conservation of Nature
LDCs	Least Developed Countries
LODA	Local Administrative Entities and Development Agency
LPM	Linear Probit Model
MDGs	Millennium Development Goals
MEDaC	Ethiopian Ministry of Economic Development and Cooperation
MFP	Mutuelle de la Fonction Publique
MINALOC	Ministry of Local Government
MINECOFIN	Ministry of Finance and Economic Planning
NHI	National Health Insurance
NHIF	National Health Insurance Fund
NISR	National Institute of Statistics Rwanda
NPC	National Planning Commission
OECD	Organisation for Economic Cooperation and Development
OOP	Out-of-pocket Payments
PA	Population-averaged
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
PGI	Poverty Gap Index
PHC	Primary Health Care
PNFPS	Private Not-for-profit Providers
PP	Phillips-Perron, unit-roots tests (statistics)
PQT	Proportion of Qualified Teachers
PSR	Pupil-Section Ratio
PSSOP	Public Sector System of Provision
PTR	Pupil-Teacher Ratio
RMF	Retirement Mutual Fund
RNP	Rural Non-Poor
RP	Rural Poor
RSDP	Road Sector Development Program
SACCO	Umurenge Savings and Credit Cooperative
SADC	Southern African Development Community
SDGs	Sustainable Development Goals
SDPRP	Sustainable Development and Poverty Reduction Program

SHP	Social Health Protection
SNNPR	Southern Nations, Nationalities and Peoples Region
SP	Social Protection
SPGI	Squared Poverty Gap Index
SPSS	Statistical Package for Social Sciences
SSS	Social Security Scheme
THE	Total Health Expenditure
UCS	Universal Coverage Scheme
UHC	Universal Health Coverage
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNP	Urban Non-Poor
UP	Urban Poor
VAR	Vector Autoregressive
VCHF	Voluntary Community Health Funds
VECM	Vector Error Correction Model
VECM	Vector Error Correction Model
VUP DS	Vision Umurenge Programme Direct Support
WHO	World Health Organisation
WTO	World Trade Organisation

About Authors

Herman Musahara: Herman Musahara is currently Acting Executive Director of the Organisation for Social Science Research in Eastern and Southern Africa (OSSREA). He holds a Ph.D. in Development Studies from the University of Western Cape in South Africa, and an M.A. in Economics from the University of Dar es Salaam. He has more than 30 years experience as an academic, researcher and consultant. He was formerly Dean of the Faculty of Economics and Management 2005, Director of University Consultancy Bureau 2008, Director of Planning and Development 2010, and Acting Vice-Rector Academics in 2011–2012 at the former National University of Rwanda. He was till April 2014 an Associate Professor in the College of Business and Economics of the University of Rwanda. Besides teaching Development Economics, Poverty Analysis and Research Methodology at post-graduate level, he has researched, consulted and published in several fields of the social sciences, including poverty analysis, human development, environment, land and land use, governance, post-conflict transitions, entrepreneurship, SMEs, value chains and agricultural development. He has recently published papers on inclusive and sustainable development in Sub Saharan Africa.

Sheereen Fauzel: is a lecturer in Banking and Financial services at the University of Mauritius. Having completed a B.Sc. in Economics and Finance and a Master's degree in Banking and Finance, her areas of expertise are related to Banking, Finance and Economics. She has participated in international conferences and has publication in notable international journals of business and economics. She is currently a doctoral student at the University of Mauritius. Email: s.fauzel@uom.ac.mu.

Muluadam Alemu: Muluadam Alemu is a Ph.D. candidate in Public Management and Policy in the Faculty of Business and Economics at Addis Ababa University. He has received his MA degree in Regional and Local Development Studies and BA degree in Accounting and Finance from Addis Ababa University. He has also received BA degree in Geography from Debu University. Muluadam has published a monograph and articles in seminar proceedings and journals. His research interest includes inclusive development, local development, rural development, urban development rural-urban linkage, policy analysis, livelihood, climate change, investment, taxation and finance.

Degye Goshu: Dr. Degye Goshu is Assistant Professor of Agricultural Economics at Haramaya University, Ethiopia. His research experience includes food and nutrition security, multidimensional poverty and inequality, market and price dynamics, efficiency and productivity, agricultural commercialisation and technology adoption, and program impact evaluation. He teaches various postgraduate courses with econometric software applications. He has published about 20 works on reputed journals and books. He has won and coordinated various

competitive research and capacity building projects financed by the European Union, Global Development Network (GDN), International Food Policy Research Institute (IFPRI), Ethiopian Development Institute (EDRI), Ethiopian Economics Association (EEA) and other partners. He has successfully supervised more than 45 theses and PhD dissertations.

Claudious Chikozho: Dr. Chikozho is a Social Scientist with more than 16 years of experience in research, development and education sectors in Africa, with special focus on rural and urban development processes. Over the years, he has published more than 20 peer-reviewed papers in refereed journals and books. His areas of research interest include programme monitoring and evaluation, responsible leadership, science and innovation processes, public service delivery, environmental sustainability, and adaptation to climate change.

Jean B. Ndikubwimana: Mr. Ndikubwimana is Assistant Lecturer and the Head of the Department of Political Science and International Relations in the School of Social, Political and administrative Sciences, College of Arts and Social Sciences at the University of Rwanda. He holds Masters in International Law of Human Rights and Peaceful Conflict Resolution and Masters in Development Studies. He conducted research in the areas of entrepreneurship and development, political participation and social protection in Rwanda. In 2014, at the workshop organised by OSSREA Rwanda Chapter at the University of Rwanda, he presented a paper entitled “*Promotion of entrepreneurship in the post-genocide period in Rwanda: Opportunities and challenges*”. In 2014 at the conference of “Women’s participation in peace building in the Great Lakes Region”, he presented “*Women’s Participation in Political Leadership in Rwanda: Challenges and Opportunities*”. In 2015 he won a grant from UR-SIDA to conduct a research on “*One cow per poor family as an instrument of conflict transformation in Rwanda*”. From January 2016, he enrolled in the University of Nairobi, Kenya, for a PhD study focusing on natural resources-related conflict in Rwanda.

Marie P. Dusingize: Dr. Dusingize is Dean of the Faculty of Social Economic Sciences and Management at Institut Catholique de Kabgayi, Rwanda, where she has been Faculty member since 2011. Dusingize completed her Ph.D. in Social Sciences at Pontifical Gregorian University in Rome, Italy. Throughout 5 years of her career, Dr. Dusingize has been engaged in scholastic research. She also teaches sociological theories to undergraduate students in the Department of Sociology. She has research interest in the field of population displacements where she is commissioned by Institut Catholique de Kabgayi as co-coordinator of a research project on “*Study of socioeconomic impact of population displacement on local communities in Rwanda: Strategies, educational actions and prevention— Case of Gishwati forest area and Nyabarongo hydropower project*”. Her recent publication is Dusingize M.P (2015), *Institut Catholique de Kabgayi (Ick) entre deux poles : Education et réduction de la pauvreté* in *Acuhiam Journal*, Vol. 2 no.2.

Rukundo B. Johnson: Mr. Johnson is a Lecturer and researcher in the Department of Economics, School of Economics, College of Business and Economics, University of Rwanda. He is currently a PhD student, Jönköping University, Sweden and holds a Master's degree in Economics (Economic Policy Management from Makerere University (Uganda) as well as a Bachelor's degree in Economics from the former National University of Rwanda. He has been in the academic area for the last eight years teaching and undertaking research activities. He has research interest in employment and growth, economic development, industrial organisation and gender economic policy. He has research publications in the development and growth thematic area.

INTRODUCTION

Herman Musahara

The concept of ‘inclusive growth and development’ is complex and current. It is complex because it is used to refer to multiple concepts that have emerged in the search for the true meaning of development. These are concepts like pro-poor growth, inclusive growth, equality, social exclusion, opportunities and vulnerability, employment and non-income inequalities, to mention but a few. While these are invariably used, sometimes interchangeably, in different contexts and under different disciplines, it is important that the meanings and distinctions of these are epistemologically clarified for the purpose of this chapter. The first task of this introduction is to make this conceptual clarification. It is also remarkable that each chapter starts with a similar but not necessarily robust clarification of concepts.

The concepts are meanwhile very crucial to the understanding of development. There has been a time dimension in the discourse on development. Since the Second World War, the search for the real meaning of development has taken an unusually fast pace in almost all major fields. Various schools of thought have emerged. It has been agreed in the realm of development studies that measuring development by GDP and GDP per capita alone is not enough. Economic growth is necessary but not sufficient to explain economic development. The welfare of the people and a rise in standard of living is the expected outcome and the process should include poverty reduction and reduced inequality of all sorts.

Inclusive development is a current concern. In many African countries some considerable economic growth has been attained over the last ten years. Yet, poverty and inequality are still rampant. Understanding the current dynamics and what can be done to make growth in Africa more inclusive is the focus of the book. On the other hand, the world is entering what has been called the Age of Sustainable Development. Indeed, the United Nations has launched new Sustainable Development Goals to replace the Millennium Development Goals. Development has entered a new paradigm. Sustainable development does not involve economic growth and poverty reduction only. It involves social inclusion, care for the environment and the promotion of good governance. Inclusive growth and development is a current agenda. Agenda 2063 is an African Union roadmap to attaining inclusive and sustainable development by the year 2063. The book is a contribution to the knowledge of Inclusive and Sustainable Development in a few countries in Eastern and Southern Africa, under different policy frameworks, focusing on some sectors other than others and using different methodologies under different disciplines. It is not exhaustive but reflects how diverse and broad the concept is and the current challenges countries in particular and the region at large still face.

Chapter 1 also by the Editor gives an overall overview of inclusive development for several countries. Firstly, it provides a conceptual frame of inclusive growth and sustainable development more elaborately and ensures the number of countries in the collection truly reflects a regional agenda. Secondly, it gives salient features of the major challenges of inclusive and sustainable development in the region by using common data sets, especially the World Development Indicators, to show the case of economic growth without proportionate rises in standards of living and human development. Using a selected indicator, poverty, inequality, gender and other challenges are presented and analysed. Finally, gaps in research that would have provided evidence and policy directions are identified and recommendations for global and individual countries made.

Chapter 2 by Fauzel is about trade and inclusive development using the case of Mauritius. The chapter uses a dynamic framework, which is an econometric tool in methodology. It is a bold attempt to show that trade openness has led to transfer of knowledge and technology, entrepreneurship in the private sector, foreign capital and increased employment. It is further argued that trade openness has encouraged production of goods and services and promoted growth and, most notably, social welfare. It is emphasised that trade openness takes time to impact on inclusive development.

Trade openness in Mauritius has shown both short- and long-run effects and has raised the standards of living of the people. While the chapter empirically shows the relationship, more studies will be required to track the process of how the trade openness has raised living standards of the people and the possible intermediate policies that made that possible over time because, besides trade openness, there must be other causal factors as well since, as noted earlier, development is complex and cannot be related to trade regimes and policies alone. Perhaps not said is that Mauritius is among the few better-off countries in the region and sub-Saharan Africa. Drawing lessons from its development experience provides a benchmark for several possible study areas.

A distinction which obviously bears on the inclusive development concept is the rural-urban divide in Africa. Bekele in Chapter 3 analyses the phenomenon using Ethiopia as a case study. The myriad of interactions between the rural and urban areas have an effect on economic growth and development dynamics. Ethiopia is a country and economy where significant economic growth has been realised. Despite the common knowledge that there is a wide gap between the rural and urban Ethiopia, the nature of the challenges resulting from the gaps has to be better understood.

The chapter argues that, despite the rapid economic growth, Ethiopia still has 27 million people under poverty. The millions are subject to economic exclusion, high levels of inequality, undefined mechanisms of social protection, and marginalisation. Using inferential statistics and official data

sets, the chapter shows that there is some evidence of prop-poor growth policies in Ethiopia. But there is also evidence of inequality and a wide rural and urban divide. A gap to be filled, which is also the aim of the book, is what can be recommended based on sound analysis for closing the divide in a time-bound strategy.

Using panel data for 2495 farming households, Chapter 4 by Goshu on Ethiopia is used to articulate the dynamics of poverty, vulnerability and welfare. The chapter notes that in the five years, 33 per cent of the households have escaped the poverty trap. However, it finds out that 42 per cent of the non-poor households descended into poverty and some 52 per cent remained in poverty. Using econometric modelling, the chapter shows that the speed with which the poor are escaping from poverty is sluggish. Thus, there is persistence of poverty and a need for further policy interventions. Ethiopia as a case study country is also useful to the collection. Recent figures indicate that the growth of the economy has been on average about 10 per cent on GDP and Ethiopia is by the time of writing the fastest growing economy in Africa. It has a population approaching 100 million people making it the second largest economy in that regard in Africa. Yet despite all evidence of an emerging economy the chapter like the previous one indicates rampant poverty. The imperative lesson is how can the high growth rates on GDP and relatively large number of the poor can be reconciled to lead to more inclusive and sustainable development which the main theme of the collection.

Chapter 5 by Chikozho on South Africa presents an interesting test case for lack of inclusive development. The articles indicate that there has been a significant economic growth since 1994. Yet, poverty, unemployment and inequality are still rampant. Economic growth has, thus, not been inclusive enough to improve access to social services by the majority of South Africans. Using qualitative and quantitative data, the article analyses the reasons for the disjuncture between economic growth, poverty reduction and social inclusion. Institutions and policies that were set were not meant to be pro-poor. More systematic efforts at inclusive growth are required to make the dreams of post-apartheid South Africa come true. South Africa has been interesting as a case study of inclusive and sustainable development in Africa on two grounds. Firstly, as a relatively more industrialised economy in Africa yet with high levels of poverty, inequality and unemployment provides a real time exhibit of how mere economic growth does not guarantee improved livelihoods for the majority despite having policies to the expected effect in place. Secondly South Africa is a good laboratory case for inequality based on non-economic differences and in this case colour. While it is still a challenge to make the economy less unequal in South Africa the big challenge is to ensure the inequalities and gaps in opportunity between the black and whites that defined the apartheid policies are completely obliterated.

Chapter 6 is by Omona on social protection through universal health insurance in Uganda. Although essentially it is a case on Uganda which is in the sub region the article is based on a comparison of two countries. This article is important in that it looks at inclusiveness and sustainable development through a social inclusion lens. It provides evidence on how a health coverage system works gives you a picture of social exclusion. But, as noted, the most important question answered by the article is why Thailand has recorded a universal health coverage while Uganda has not. Although it looks as if the author answers that it is political will to provide universal health coverage and that it has been lacking in Uganda in fact the author provides other intermediating drivers particularly the financing mechanisms of universal health systems as well as the creating the institutions and legal framework to ensure a universal health coverage system. The good lessons from this chapter on Uganda are twofold. A universal health coverage system has direct impact on social inclusion, population and the economy. Secondly in the struggle to ensure inclusive and sustainable development it will be useful for countries to learn from each other in the region and abroad. Thailand's success in universal health coverage could be used in offering lessons in inclusive development at sectoral levels and the challenges to overcome in the process.

Chapter 7 is on the informal sector in Rwanda by Rukundo. Particularly it is on the determinants of informality using an empirical analysis from data collected from 200 food processing units sampled from all over the country. The paper uses an econometric tool to compare productivity in the sector. Determinants to informality include gender, taxes, government initiatives, experience and age. The most significant lesson related to inclusive development is the contribution of the sector to employment. On one hand the informal sector provides employment and income to the poor. Promoting it and removing barriers to its evolution to formalised production and enhancing its productivity is using the empirical evidence better for inclusive and sustainable development than disbanding the sector. Rwanda as a rapidly developing economy in the region provides a good case to look at one dimension of inclusive development in form of productivity and employment growth in the informal sector.

Chapter 8 is on Rwanda on a social protection scheme appropriately called VUP or Vision 2020 Umurenge Programme. The programme includes direct support to poor families by cash transfers The chapter presents the concepts, methodology and findings as a research report. This underscores the original approach of the collection which is knowledge harvests based on ongoing or completed research. But above all it emphasises on the shortcomings of the programme and what is recommended as course of action. But the most important and relevant aspect of the chapter is how the Rwandan social protection has worked from the perspective of the beneficiaries. Despite an analysis of the demographics of the programme from below there are qualitative responses that have implication to the link between social protection and inclusive development. It has shown perhaps

very indirectly and unintended the explanation of why Rwanda has managed to challenge poverty but not as quickly as it has promoted economic growth

The book ends with a conclusion by Musahara who emphasises the usefulness of the findings and the collection as a pointer to the need for further research.