Economic empowerment
Nairobi, April 2011

The purpose of this paper is to set out some of the differences between the economies in our different regions, some of the shared challenges to economic growth and some strategies for economic empowerment.

1. Introduction

The economic injustices that lie at the heart of global poverty are at their most acute in some of the regions and provinces of the Anglican Communion. There are strong Anglican communities in 12 of the richest 20 countries in the world, and eight of the poorest 20 where the most acute poverty is still the day to day reality of life for 1 billion people. So the decision by CAPA to chose economic empowerment as the first development strand for the Anglican Alliance poses some big challenges to all of us.

The challenge is both to alleviate the immediate suffering of the very poor, and also to provide for a future free from poverty through promoting sustainable long term economic growth.

The economic climate has changed profoundly since the 2008 global crisis: the problems in the north have taken their toll also on many countries in the south, and threaten to divert attention away from the continuing problems of poverty. It has also highlighted some of the weaknesses of northern economies, reversing gains that had been made in some of the formerly less developed parts of Europe, and impacting on previously steadily improving living standards.

This paper sets out some thumbnail sketches of the regional economies of the global south, identifying the barriers to growth for some of the poorest communities, and some of the strategies we could pursue as an Alliance to support the economic empowerment needed to enable those communities to lift themselves out of poverty. Some of the options are about global changes needed to transform some of the unjust structures that lie behind global poverty: others are about grassroots up empowerment of communities to build sustainable futures.

2. Regions of the global south

2.1. Africa

Africa as a whole has maintained economic growth at a higher level than more developed countries through the economic crisis. Over the last decade growth has averaged 6% – compared with the 7% required to reach the targets set by the international community for beating world poverty. In the depths of the recession the average growth across Africa fell to 2.5% – compared with a contraction of 4% for the OECD countries.

Some of this resilience was due to the lack of interconnectedness of African economies with developed economies, and its increasing links with China. It was also in part due to past monetary and fiscal discipline in Africa which had enabled many countries to absorb the economic shocks of the recession.

However, these overall figures hide some wide disparities and acute poverty. Of the ten poorest countries in the world, nine are in Africa. Many countries suffered a serious loss of income during the recession through the reduction in flow of remittances from diaspora communities in the

developed world, a decline in foreign direct investment, falling demand for the already low level of exports, and declining commodity prices. In addition, a number of African countries have seen their economies wrecked through conflict, one of the major constraints on economic growth.
Below are some of the main challenges facing African economies:

- 80 % of its exports are natural resource commodities, namely oil, minerals, and agriculture. Oil and mineral resources have been exploited without benefit to local people.
- Low income countries collect less than 15% of GDP in taxes, which does not allow for adequate infrastructure development and service provision.
- Dependence on aid: aid flows exceed tax collections in 25% of countries.
- Endemic corruption and lack of transparency in government-private sector relations.
- Conflicts, both long-standing such as DRC, and new crises, such as Cote d'Ivoire.
- Exposure to severe weather/climate events, such as drought and floods.
- The need to adapt to climate change.
- Shortages of skilled labour, outmigration of some of the most skilled to the global north, and exclusion of sections of the community, especially women, from formal labour markets.

2.2. Pacific

The small islands of the Pacific have benefitted from their close relationship with Australia and New Zealand, which has sheltered them from the worst effects of the recession. With their larger neighbours faring relatively well during the financial crisis the Pacific islands maintained an overall modest growth rate of 2% throughout the period. Behind these positive figures there is a wide variation in the performance of the islands. Papua New Guinea achieved a growth rate of 7%, whilst Palau, Fiji, the Cook and Marshall Islands all saw their economies contract.

The key economic development challenges facing the Pacific Islands include:

- The impact of natural disasters estimated to have a continuing impact of 4-7% of GDP.
- Environmental degradation of fragile islands by unsustainable development and exploitation of resources.
- The need to adapt to long term climate change
- Lack of political stability and poor governance.
- Reliance on the public sector, aid transfers and remittances.
- Poor skill levels in the workforce, and out migration of the most skilled.

2.3. South America, Central America and the Caribbean

The economic performance of this region has differed according to the principal sub-regions of South America, Central America, and the Caribbean

South America's average growth in the period 2000-2007 was moderately good at about 4%, with Argentina surprisingly matching Brazil despite the financial crises in the period 2000-2002. Indeed, Brazil's economy, for all the hype, has only performed at about average for the region. During the crisis, regional growth dropped from 6% in 2008 to about zero in 2009. Growth is expected to return to the 4% rate in 2010-2011. South America is a region of sharp contrasts and high disparities in wealth, which has consequences for social cohesion and political stability.

Most of **Central America** – caught in the backwash of the US financial crisis - suffered a significant recession in 2009, led by Mexico, whose contraction of 6.5% was exceeded only by Japan and Russia. In the period 2000-2007 growth averaged 4%, and it is expected to return to that path in 2010-2011.

The Caribbean exhibited moderate growth of about 3% in 2000-2007, with considerable variation between strong performers, such as Trinidad & Tobago, Belize, and the Dominican Republic, and the weak performers, such as Haiti and Montserrat – both of them affected by natural disasters. The impact of the recession was varied similarly, from a contraction of 9% in Antigua to expansions of 3% in the Dominican Republic and Guyana. Following a sluggish and patchy recovery in 2010, growth is expected to return to 3% in 2011.

Challenges for South America:

- Marginalisation of indigenous peoples and peoples of African descent.
- Wide inequalities in distribution of wealth and labour exploitation.
- Environmental degradation.
- Narco-states present particular security and regional problems.

Challenges for Central America include:

- Migration.
- Marginalisation of indigenous peoples - more than half the population in Guatemala.
- Over-dependence on the US economy.

Challenges for the development of the Caribbean include:

- Addressing the problems associated with migration.
- 10 of the world's most heavily indebted countries are found in the Caribbean.
- Need for regional cooperation.
- Natural disasters response and insurance.
- High levels of crime and violence

2.4. South Asia

The South Asian economy hardly missed a beat during the global financial crisis. Growth of about 9% in 2007 fell to 6% during 2008 and 2009, before recovering to 9% in 2010 and then moderating to 7%, the rate achieved in 2000-2007.

This growth was achieved despite profound challenges throughout the region. It masks some wide variations within countries, especially in India which includes some of the biggest concentrations of dollar a day poor people in the world, as well as some of the most advanced, expanding economic sectors.

Bhutan, the Maldives, and Sri Lanka have attained per capita incomes of about 15 $/day. India has achieved 10 $/day, with Pakistan at 8 $/day, and Bangladesh at 5 $/day. Nepal and Afghanistan earn just 3 $/day. It is striking to realise that Nepal (admittedly itself suffering a long-term conflict) is as poor as Afghanistan and continues to slip back relative to its neighbours.

Challenges facing the region include:

- Endemic conflict throughout the region, with not even the Maldives being immune.
- Climate change impacts, particularly rising sea-levels for Bangladesh, Kerala, the Maldives.
- Natural disasters, especially notable in Pakistan.
- Environmental degradation which exacerbates natural disasters.
- Poor governance, and especially dynastic politics.
- Corruption and bureaucracy – and some failed or failing states – as well as the presence of the world's most populous democracy.

2.5. South East Asia

The South-East Asia economy averaged 6% growth in the period 2000-2007. The effects of the global financial crisis were transmitted early to the region so that growth in 2008 was halved to 3% before coming to an overall stop in 2009. Half the countries in the region experienced a significant recession, but a number of those that didn't appeared to sail on apparently unaffected: Indonesia, Laos, Burma, Timor-Leste, and Vietnam. The recovery in 2010 was remarkable, registering growth of 7% overall, whilst Singapore generated 15%, effectively recovering most of the lost growth over 2008-2009 in a single year. Growth is expected to moderate – even in Singapore – to 5% in 2011.

Hong Kong, Singapore, Brunei, Taiwan, and Korea have per capita incomes at or above 100 $/day (approximately the UK figure). Malaysia achieves about 40 $/day and Thailand 20 $/day. Indonesia, the Philippines, and Vietnam earn around 10 $/day. Cambodia, Laos, Burma, and Timor-Leste are grouped around 5 $/day.

Challenges facing some of these countries include:

- High food prices
- Improving transport infrastructure.
- HIV/AIDS
- Domination of the regional economy by China.
- Poor governance and instability.
- In-migration and out-migration of labour.

> **Discussion point**: What are the key characteristics of and challenges facing the economy in your community/diocese/province

Meanwhile the regions of the global north have faced their own challenges in responding to shocks that reversed growth in previously under-performing economies and put at risk their entire financial system.

3. Key barriers to growth

Despite the differences in contexts, the regions of the global south have shared barriers to economic growth. These can be broken down into four main categories:

- *Financial environment* – aid dependence, overreliance on a dominant developed economy and remittances, lack of access to finance, lack of investment, high level of indebtedness and poor regulatory environment. Lack of access to markets, including barriers to markets in rich, developed countries.
- *Labour market problems* - Shortages of skilled labour caused by out-migration, exclusion from the labour market of minority communities or women, and poor education and training.
- *Challenges in environmental and natural resources* – Disruption of the economies by natural disasters, environmental degradation by unsustainable development and exploitation of resources, and need for long term adaptation to climate change.
- *Governance challenges* – with lack of efficient tax regimes, corruption, unstable governments and conflict, bad regulation of resources, lack of service provision and need for regional co-operation.

> **Discussion point:** What are the biggest barriers that prevent people moving out of poverty in your local community/diocese/province

4. Economic empowerment strategies

Aid flows have a role to play in providing immediate resources to tackle some of these problems, especially funding service provision and meeting the most pressing of humanitarian need. Aid has also made available technical support to overcome some particular challenges. However aid flows may become less certain in the current harsher economic climate, and there has been criticism of the aid dependency that has arisen in some particularly poor countries. Sustainable growth with spread of the economic benefits, will need long term strategies to empower communities and remove barriers to growth, including:

- *Access to finance* including at the most local level micro-finance and credit unions to provide access to affordable finance for poor people, to pay for the start up costs of a small enterprise. With micro-finance debt now running to £4 billion in South Asia alone, there are increasing calls for improvements to the regulation of micro-finance in order to protect poor people from unaffordable debt – which in the US triggered the financial crisis.

- *Access to markets* - at the most basic levels this can mean simple things like building roads so people can take their produce to market, or providing information about markets through mobile phones, co-operatives so that marginalised people can market their produce and get fair prices. At the macro level, removal of developed country trade barriers against imports from the developing world could open markets for developing country goods.

- *Good governance* – so people don't have to pay bribes for basic services, such as ports, export, resource development and other licences, to provide services for development, and to ensure the rule of law to provide a stable environment for economic development. These things are essential to ensure that people feel confident in setting up and expanding businesses. Good governance also involves providing a sound regulatory framework for business, including protection of intellectual property rights, support for business start ups, and environmental protection, and sound fiscal and monetary policies.

- *Access to labour markets* - providing skills through education and training including vocational training and removal of barriers to employment, such as gender or ethnic discrimination. Dealing with the challenges and benefits of economic migration.

- *Empowerment at work* – eg minimum wages, protection against child labour and other exploitation so people have dignity at work, equal rights.

- *Women's empowerment* – you can't grow an economy if half the population are kept out of the labour market because they're women.

Decision point: Which of the above strategies do you consider most important – in priority order.

5. Ways forward

Many dioceses and agencies are already engaged in economic empowerment of the poorest communities: from the inspirational work providing micro-finance for small enterprises, to vocational training and support for migrants. The challenge is to see how by working together we can learn from each other, scale up our responses to poverty, and use our influence, through advocacy to transform some of the unjust structures that continue to trap people in poverty.

5.1. Development programmes

At present individual programmes are run by provincial or diocesan offices, or by development agencies. There is the option of identifying a small number of core priorities across the Communion, and linking up the work to share knowledge and experience – for example, micro-finance, dealing with the concerns of economic migrants or women at work – also commissioning capacity-building tools through the Alliance.

Decision point: Would you like the Alliance to help co-ordinate programmes working in a particular area of economic empowerment?

5.2. South-south learning

There is provision in the Alliance work programme and budget for a programme of south-to-south learning. This makes it possible for colleagues working on an issue in one region to join up with colleagues in another part of the Communion to develop their understanding and perhaps a joint programme. For example – colleagues from Africa and India might want to link up to learn from each other about micro-finance expanding and connecting Anglican micro-finance initiatives – perhaps with a relevant agency. Or colleagues from Africa, South America and South East Asia might want to set up a South-south learning project to look at how to tackle the problems of child labour. Please note that the funds are limited, and are to be released only against an agreed work programme.

> Decision point: CAPA will put forward a proposal for south-to-south learning on economic empowerment for decision at the conference.

5.3. Advocacy

Some of the barriers to economic growth can only be overcome at nation, regional or global level. They’re beyond the scope of the Church - but not beyond its reach. For example an advocacy campaign could help ensure that there are proper safeguards in place to protect poor people against the misery of miss-sold micro-finance, or help remove trade barriers for produce from low income countries.

> Decision point: Would you like to see the Alliance co-ordinate/provide tools for advocacy on any of the barriers to growth.