

EXECUTIVE SUMMARY

The world's poor are 'trapped' in poverty. How can we unlock development so that poor countries can sustain economic growth over long periods of time? Our report considers this problem on three levels, the national economy, the private sector, and citizenship. At the core of each chapter is new research by CAGE members and associates. Chapter 1 addresses the factors underlying sustainable growth of the national economy. Chapter 2 looks for the sources of business capacity and sustainable growth of the private sector. Chapter 3 links citizenship to economic development, showing how political voice can enable women to participate more freely in society and the economy.

In all three chapters we show how economic development relies on the rule of law, including a framework of laws and their enforcement that is applied to all and accessible by all. We show how, without such a framework, the sustainable growth of national economies and their businesses is threatened when laws fail to resolve conflicts. This failure is often accompanied by corruption or violence. So, we discuss what can be done to promote the rule of law; to make economic growth more stable and sustainable; to enhance the capacity of business organisations that are most likely to attract, grow and create jobs; and to enable women to play a full part in economic development as citizens, providers, and entrepreneurs.

CHAPTER 1. NATIONAL ECONOMIES: SUSTAINING DEVELOPMENT

National economies in Africa have seen many episodes of growth acceleration alternating with reversal. This pattern of growth and reversal is not new; it was typical of most European national economies over 600 years from 1270 to 1870. Growth regularly ran into the sand because commodity bubbles burst or prosperity collapsed into conflict. A vicious circle links poverty, dependence on a few primary export commodities, and lack of diversification with weak rule of law, corruption, and periodic outbreaks of violence.

To overcome this pattern, African economies must undergo institutional changes. This is easier said than done, but policy can make a difference.

Good policy will foster a robust civil society and private sector, the rule of law, and the government's capacity to tax and spend on basic public goods. These are not just technocratic goals; they also require far-sighted political leadership.

CHAPTER 2. THE PRIVATE SECTOR: UNLOCKING ENTERPRISE

If the poorest countries are to become rich, their private sectors must be transformed. To judge from appearances, developing countries are abundantly supplied with one of the most important factors of production: entrepreneurship. Most workers in poor countries are self-employed micro-entrepreneurs working on their own account. Evidence from several Asian and African countries suggests that supporting micro-enterprise can help to combat poverty, but the reality is that it will not lead to sustained growth. More likely, the high-productivity, high-wage jobs that prosperity requires will come from firms that already exist.

We turn to those firms that are already successfully exporting to Western markets where consumers are wealthy and quality standards are high. In these markets an important role is played by Western buyers that seek out reliable, high-quality producers and establish valuable buyer-seller networks. A problem is that such networks inhibit competition, and are required largely to overcome a legal deficit: in some poorer countries it is hard to enforce contracts or resolve disputes non-corruptly. The best remedy would be to improve the economy's legal framework but, as we have already noted, this is easier said than done and takes a long time. Meanwhile, second best is to support buyer-seller networks, alongside industry boards that facilitate cheap and transparent contract enforcement and arbitration.

CHAPTER 3. CITIZENSHIP: EMPOWERING WOMEN

Violence against women is a global issue. It raises moral and legal issues; it is also a development issue. This is because gender violence suppresses women's ability to participate in economic life. Gender crime is typically hidden. It is hidden when women do not have a voice. A social evil that is

hidden cannot be addressed. Any strategy for dealing with gender crime must start from enabling women to be seen and heard in public life and present at the policy-making table.

We use Indian evidence from a local government reform to show that when women have more political representation there is an increase in recorded violence against women, but this is good news: gender crime does not rise, but more of it is reported. When women are 'in charge' locally, more female victims come forward, and the political leaders are more ready to intervene. The biggest effect is from representation at the lowest levels of government where female leaders are closest to female victims. Reporting of crimes against women, including domestic violence, is also a problem in developed countries, where institutional responses also tend to discourage reporting and fail to reduce offending. In fact, low female participation in politics is just as typical of rich countries as of poor ones. Reserved seats for women appear to be the most effective way to encourage more women into politics.