

## DESIGNING ECONOMIC TRANSFORMATION

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*Toronto Canada (Nov 2022)*

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### **Preamble.**

Our society is facing a diverse range of solvable economic issues related to acute poverty, which may be challenging to predict. Other economic issues may have resulted from the build-up of vulnerabilities, such as the impact of unemployment or imbalances and distortions in markets, all of which are shaped by policy and administration choices. Building resilience across our economies calls for a systemic policy approach to prevent these vulnerabilities, reduce exposure to poverty, absorb shocks when they occur, and recover rapidly from them through adaptation and transformation of a well-being economy. This paper is prepared to advise on protection and wealth redistribution which is capable of leaving a legacy for the masses. It summarizes what should be done to ensure a complete turnaround for the citizens. The short information provides a conceptual framework for understanding a way out of the challenges to economic resilience built around the old economic order that creates imbalance and income inequality. A summary is provided to include strengthening the resilience of economic welfare, tax system re-alignment, birthing foreign revenue-based agriculture, refocusing the educational policy, tourism hub, integrating economic and social policy by addressing the distortions and imbalances which are sources of burden, unemployment, and poverty. Addressing these challenges are essential to improve economic resilience and rebuild trust in governance structures, institutions, and evidence itself. This paper is borne out of a passion to improve welfare for our people, a rethink of the old order that has created economic imbalance and poverty amongst us. The information contained therein is based on the writer's experience and convictions as an economist.

## **Part I**

### ***Designing Welfare Economy***

Welfare support limits the impact of poverty, market, and policy failures. It eases the transition experienced by citizens due to changes in living and work conditions, as well as the weakening of family and social networks in providing security and social support. Social welfare policies and programmes provide cash transfers, social relief, and enabling and developmental services to ensure that people have adequate social and economic protection during unemployment, ill health, maternity, childrearing, widowhood, disability, and old age. Social welfare programmes contribute to human resource development by enabling poor households to provide adequate care for their families. Together with capacity building, welfare programmes release people from the poverty trap. Many people experience difficulties managing life situations and transition which impact their social functioning. Social welfare programmes promote optimal social functioning and contribute to human capital development and social stability.

However, specific welfare programmes do not benefit human resource development but express a commitment to social and human rights. Alleviation programmes are protective and developmental services for economically downtrodden citizens. Welfare programmes do not just contribute towards enhancing social welfare through human resource development and the alleviation of poverty but the provision of merit goods. These programmes express a country's commitment to human and social rights. Social welfare services contribute significantly to enhancing social integration, it refers to a comprehensive and integrated system of social services, facilities, programmes and social security to promote economic development, social justice and the social functioning of a people. Social welfare brings about sustainable improvements in the well-being of individuals, families, and communities. These programmes are intrinsically linked to other social service systems through which people's basic needs are met to an extent and through which they have a sustained platform to strive and achieve their aspirations. Therefore, social welfare services and programmes are part of various mechanisms to achieve social development, such as education, nutrition, health, housing, employment, recreation, and rural and urban development. Economic growth, such as the application of Gross Domestic Product (GDP), will not automatically enhance people's welfare, except when it generates development. Yet, economic development must be accompanied by equitable allocation and distribution of resources to support social systems. Social growth and economic development are interdependent and mutually reinforcing. In achieving economic development, social welfare policies and programmes will be developed and targeted at poverty alleviation, prevention, and reduction and the development of people's

capacity to take charge of their circumstances in a meaningful way. Instruments of government, such as the social welfare departments, will appropriately incorporate nutritional objectives and activities into their relevant components. The welfare department collaborates with other government departments to ensure that these programmes are effectively targeted at those susceptible to poverty and the socio-economically deprived. Capacity building, public works, and other developmental programmes will also contribute to household alleviation.

Structural poverty emanates from society's economic, political, and social organization. Traditional unjust legislation and inequitable policies and programmes of the past have also contributed to increasing poverty levels. Given the structural causes of poverty, an intersectoral response is needed. The welfare department will collaborate with other government departments, non-governmental organizations, and institutions to develop an integrated response to poverty. Going by the widespread rural poverty, the Department of Welfare will develop a rural development strategy in consultation with all the relevant role players, increasing rural people's access to developmental social welfare programmes. An overarching anti-poverty programme should be developed, which requires cooperation between government departments and non-governmental organizations. Equitable social development is the foundation of economic prosperity and economic growth necessary for social development. Social security, social services, and related social development programs are investments that lead to tangible financial gains and, in turn, economic development. More importantly, investments are needed for social protection platforms to be truly effective in building resilience and improving poverty response; they require policy changes and significant innovation through dynamic delivery systems and shock-sensitive financing behind them. In many African countries, safety net structures are still emerging, but bringing them to their full potential will require embracing broader policy objectives to move from the traditional chronic poverty focus of social protection programs to tackling vulnerability and productive inclusion. **How:** *Developing a well-being economic strategy, focus group, survey, evaluating policy impacts, participatory budgeting.*

## **Part II**

***Government should tend to businesses.***

Government intervention or participation in the private sector can materialize in several ways, such as grants, cash advances, or loans that can be provided to enterprises with liquidity problems. Tax deferrals may also be used. Additionally, government can guarantee debt issued by companies with leverage problems and acquire the equity of enterprises requiring re-capitalization and other support

forms. While such cases involve support to enterprises and residents in the same economy, there may be cases when help is offered to a non-resident firm. In this case, equity participation can be either portfolio or direct investment, both can take place using various arrangement and data will be essential.

The importance of collecting accurate and comprehensive data covering the entire business and population cannot be overstated. This should include information on business owners' conditions and risks and the channels through which investment failures propagates. This information will need to be updated to allow for appropriate government responses. Data from different sources will need to be integrated, including increasing the use of non-traditional forms of data, such as remote sensing, cell phones, and social media. Social protection policies should continue building the resilience of vulnerable businesses and poor households by helping them invest in productive assets and relevant workforce. Choosing the right mix of instruments of business protection from cash transfers, public works to constructive economic inclusion measures, will be of utmost importance. Such tools can protect and enhance businesses by allowing communities to use their natural resources better and promote investments in productive assets for income-generating activities.

**How:** *Develop data for businesses, Community forums, conferences, inter-government and multi-stakeholder discussion forums, adopt international best practices, and create a business development unit. licensing*

### **Part III**

#### ***Tax Policy Re-alignment***

A crucial policy dilemma is picking the right balance between an attractive foreign and domestic investment tax regime, using tax incentives, and securing the necessary public spending payments. Developing State authorities face challenges in designing and implementing effective tax policies. These issues are addressed as the debate over transparency in the reporting of financial data by multinational enterprises intensifies and as developed and developing countries gear up to take 'whole-of-government' action to address illicit financial flows. A practical set of tools to manage tax avoidance and evasion is critical in defending the revenue bases of developing economies. It should include appreciating countries' experience with countermeasures so that developing countries can make an informed choice about the best way forward. For instance, experience in countries with a strict general anti-avoidance rule in their tax law indicates that this approach can be a very effective deterrent and enforcement instrument. The tools or policies could build on existing work, including the critical area of improving

availability of timely and relevant tax information. The measures or combinations of actions that will be most effective in a particular economy will vary and, as such, must be designed to be adaptive to the environment. Measures can include targeted or general anti-avoidance rules, penalty regimes for taxpayers or scheme promoters, litigation strategies and the direction of resources to particular taxpayer segments. The underpinning of any response to evasion and avoidance in developing economies is the availability of timely and relevant information.

The availability of data at an early stage helps to improve risk assessment and to make efficient use of the resources available, thereby improving overall compliance. Note that, compliance allows the tax policy function to make informed and timely decisions on the appropriate legal framework. Different strategies are being used to achieve the intended tax objective, ranging from voluntary to mandatory measures, including reporting obligations relating to tax risks. For a robust tax administration, there are two fundamental issues in designing a tax policy. The first is defining the taxable nexus or the threshold for tax purposes. The second, even more complicated, represents the tax base or the portion of taxable income generated within a jurisdiction and the consequent profits allocation within any particular jurisdiction. Within the ambits of equitable value distribution concerning developing economies, a revenue threshold based on the size of customer payments within the country to a non-resident provider of services, whether digitalized or not, is the most effective and easiest to apply in determining the taxable nexus.

**How:** *Expand the application of tax clearance certificate, community forum, deploy technology, develop tax benefits and returns, sociocracy, tax redistribution policy, connecting relevant agencies, quantitative impact assessment.*

#### **Part IV**

##### ***Re-Focusing our Educational Policy***

Poverty cannot be measured by income, nor can an anti-poverty programme only address income-enhancing measures. Solving economic problems necessitates a multi-sectoral and integrated approach. Education represents one of the most important factors determining employment and income. The lack of employment opportunities, education, and access to services have deprived many people of dignity and the ability to look after themselves. A society's ability to develop the skills and education of its members is important to its ability to grow because education has positive social externalities that foster social, economic, and political changes. The crucial determinant of a country's living standard is how well it succeeds in improving and deploying its population's skills, knowledge, health, and habits,

and human resources can be neglected only at a country's colossal peril.

Economies with better-educated citizens tend to have a healthier population, live longer, and have healthier children. For education policy to be effective, it must interact with other sectors of the economy, but it faces increasing demands on a public budget from other key sectors such as infrastructure and agriculture. The poor social and economic performance of most developing economies could be explained mainly by the inadequate promotion of inter-sectoral linkages and complementarities between education in relation to other departments by successive governments and the generally poor economic management. Several factors continue to affect children's participation in schooling, such as the direct and indirect costs involved, as well as the opportunity costs which are linked to child labour, the mismatch between education systems and labour market needs, perception among parents of the relevance of education for future life prospects, cultural beliefs: such as the relevance of education and social norms, the education level of the heads of households, whether children live in a rural or urban environment, and household wealth.

The quality of education is affected in many developing economies by a lack of teachers, especially qualified and specialized preschool teachers. In addition, there is limited use of innovative teaching and learning approaches: such as child-centred learning, that address the learning needs of individual learners. While many countries are making progress in reducing class sizes, large classes remain a concern in several contexts, especially in early grades and poorer communities. The shortage of teachers at the primary level is mainly due to budgetary limitations on the part of governments, while at the secondary level, it is largely a result of a lack of supply, especially where science and Information Technology (IT) teachers are concerned. Educational discontinuity puts some children at risk of dropping out if their school does not provide all the grades of primary education. A lack of critical commodities, such as furniture, textbooks and exercise books, may also lead to children dropping out. The lack of national policies on schoolbooks in most developing economies limits children's access to the use of books, especially in rural areas and among low-income families. Looking at the private sector, several regional economies are experiencing an expansion of high-fee private schools, which poses challenges.

Education with production is becoming associated with technical and vocational education at many levels and has a long history. Like other relatively recent proposals concerning the new vocationalism, there is an immediate appeal and common-sense ring to the phrase. Not only are costs to be met, but training may be made more relevant by learning through doing in the environment of the workplace. For these reasons, several developing economies now seem to regard the association of

education with production as a priority. With this new emphasis, it is possible to lose sight of the fact that trainees in vocational institutes have always been involved in producing goods or providing services as part of their training by emulating in one form or another the skill requirements of their occupational area.

The change in emphasis is that we should now sell the goods and services to generate income to satisfy some or all of the costs involved in training. Here lies a possible conflict of priorities; providing the most appropriate training or making a profit. Education with production can create a serious conflict of interest, and it is easy to envisage more demand for production instead of training; this presupposes that the two are mutually exclusive. However, they are uneasy and unwilling partners for several reasons, mainly due to the perceived conflicts between making a profit and providing education. Even on a national level, there appear to be difficulties in reconciling educational provision with production requirements: 'Productive schools in developing economies were constrained by government bureaucracy because of divisions occurring in the supporting departments. The idea of cost recovery through production activities is an attractive one, and it is proper that governments and ministries of education should thoroughly explore the possibilities for development along these lines. Education budgets are often large, and further demands for places at school will be made as access to the higher levels increases and national population rises. Establishing systems whereby students pay at least some, and preferably all, of the cost of their education must become a priority, especially at the higher levels where the private returns are greatest. In addition to the production proceeds, cost recovery may take several forms. In higher education, methods include deducting costs from students' salaries over the years after graduation. This has never been a popular option, and introducing such a scheme can cause great resentment and resistance, which is why it is so rarely applied. However, in such circumstances, students being trained in manual skills have every right to be aggrieved at proposals for education with production since the efficiency and effectiveness of their training programmes may be adversely affected by the requirement for production, and they are being forced to contribute to the cost of their education while the academics are not. Also, their training may be determined not by their requirements or employers but by the need to make a profit. Attracting students to manual occupations has proved to be difficult enough to date. The requirement for training with production might only exacerbate the situation unless a careful balance is observed.

The political dimension of education with production is worth considering because relevant and appropriate education and training to uphold workers' rights and liberate peasants from oppression are issues that could be of some significance. In addition, it must make it possible for people to understand

the political, economic and social forces which dominate their lives. Education for liberation must help everyone to develop their full creative ability and to release their energies. Education with production, in addition to social, economic and pedagogical benefits can become the cornerstone of education for liberation. Thus, there is more to education with production than cost recovery, and benefits accrue only to governments. While it has always been accepted that a trained labour force is necessary for the development and that technical, vocational education programmes have a significant part to play in this endeavour, but the discrepancy between workforce supply and demand has always been a constraint.

**How:** *Mutual accountability, community feedback forum, enacting disciplinary action, multi-level feedback, encouraging community accountability, specialized technical education policy*

## **Part V**

### ***Birth of Foreign Revenue-Based Agriculture***

Over the past century, progress has been achieved worldwide in improving human welfare, and societies have changed, thanks to technological advancements, rapid urbanization, and innovation in production systems. Yet, much remains to be perfected to accomplish the vision of the Food and Agriculture programme of the United Nations. Billions of citizens still face poverty, gross inequalities, environmental degradation, joblessness, deprivation and disease. Migration and displacement have been at unprecedented levels since the second world war. Integrated production has brought many benefits but challenges regarding regulation and the need to steer them toward more equitable and sustainable outcomes still persists. Population dynamics will radically change demographics over the coming decades and towards the end of the century. Projected growth in the World's population is expected to be concentrated in Africa, South Asia, and cities across the West. The reduction in the share of agriculture in employment and total production is taking place at different rates and poses various constraints across other parts of the globe. Although agricultural technological innovations and investments are boosting productivity, the growth of yields has slowed to rates that are too low for comfort. Waste and food losses diminish a significant proportion of farming output, and reducing the losses would lessen the need for increased production. But, the needed acceleration in productivity growth is often hampered by the degradation of natural resources.

The exports of agricultural produce are stimulated by exchange rate differential, which increases the nominal income of farmers and improvement in trade policy. Africans' involvement in trade liberalization has improved access to foreign markets, which is a critical determinant of export performance. Primary agricultural production-consumption is still very high in Africa compared to other



regions but needs to change. Where export subsidy was lacking, trans-border costs, including tariff and non-tariff barriers, have the expected negative impact on foreign market access. The needs now include capacity development in agro-processing, capable of providing many opportunities to create wealth and employment and reduce poverty. For example, agro-processing improvement in the maize value chain can help export maize products such as canned mixtures of maize and soya bean food. No doubt that Agricultural development is key to poverty reduction, wealth creation, economic transformation, food security, political recognition, and international relations within and outside Africa. Nature has bequeathed Africa a treasure in agriculture by providing a relatively conducive environment to grow many crops and rear certain kinds of livestock. Authorities in Africa should mobilize all hands to improve in development of agricultural enterprises and their ecology supports.

Africa has abundant land and human resources for this transformation; development partners and the African government can supply funds and other assistance for the shift. However, some challenges include improvement in agricultural research and technology, farm size, food supply chains, hunger reduction, climate change adaptation and mitigation amid different African ecology and provision of rural infrastructure to improve market access. Africa has an excellent opportunity to use agriculture to stabilize food security, reduce poverty, create wealth, and attract foreign exchange and direct investment.

**How:** *Develop export strategy, community forum, adopt international best practices, quantitative impact assessment, align production to demand, create an export market, market selection, specialized product market, biofuel, trade liberalization, biotechnology.*

## **Part VI**

### ***Tourism Hub***

Tourism has continued to drive itself onto the radar of policymakers in developing countries. At the local and international levels, it is seen as an impetus to sustained growth and development and no longer as a generator of foreign exchange. Tourism has impacted low-income countries and enhanced poverty reduction strategies. However, practical action to harness tourism for sustained growth and development is being hindered by the elusive nature of the evidence on the pro-poor impact and the absence of policy on tourism that exists in many donor and financing organizations. Tourism generates a vital amount of foreign exchange earnings that also contributes to the sustainable economic growth and development of Western World. However, African countries have not effectively and appropriately

utilized such a growth component. Tourism has become one of the most significant export sectors in many developing countries, especially in the less developed countries, the sector provides a large number of jobs because it is labor-intensive. Tourism has accounted for increased employment in Africa, including jobs for the unskilled women and informal sector workers. There is the long run relationship between tourism exports and economic development in Less Developed Countries (LDCs), which means that African countries could use tourism to drive economic development. Therefore, African countries should provide tourism infrastructure, sites, and facilities to enhance tourists' choice of destinations.

Enabling a tourism environment that will attract investors in the tourism industry of African destinations should be implemented. For the industry to fully exploit this potential, careful management of the inter-linkages with other parts of the economy is necessary. When implementing those plans, it could be essential to consider the interlinkages of tourism with other parts of the economy. The availability and quality of infrastructure play a vital role in developing the tourism sector because of its role in bringing tourists to the country and allowing them to travel through it. A coordinated approach between tourism and infrastructure development policies could have significant pay-offs. The tourism sector is fundamentally people-centred, personal interactions between individuals working in the tourism sector and travellers occur at all levels. One particularity of the tourism sector is that those interactions are persistent for employees at the lower level of a company structure. Ensuring that those employees have the skills necessary to offer high-quality services may play a relevant role in increasing the attractiveness of countries as tourist destinations, but elements like stability and security are fundamental for the tourism sector's growth.

**How:** *Develop local content, participatory rural appraisal, local resource allocation, security plan, intergovernmental linkages, focus group, quantitative impact assessment, licensing.*