

Charting the Future of Africa: Avoiding Policy Syndromes and Improving Governance

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Outline

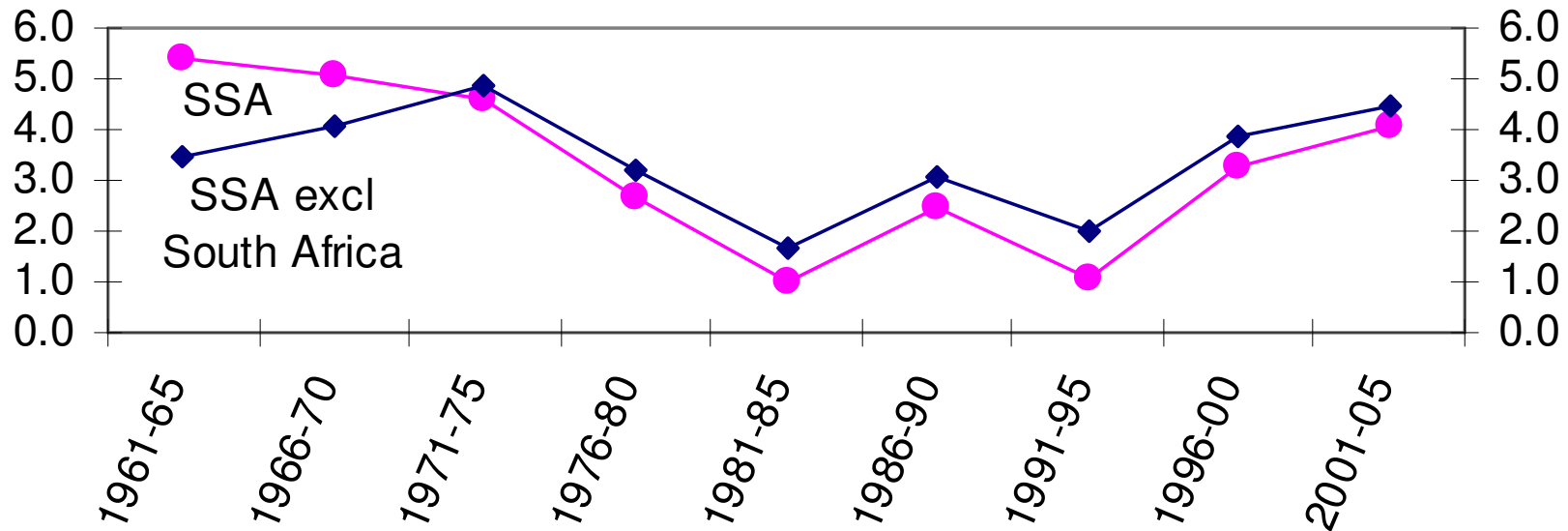
- Introduction
- The historical growth record
- The recent growth evidence – Who is who?
- Has recent growth been poverty-reducing?
- Accounting for the growth record
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- Policy Syndromes and the growth record
- Whither governance?
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Introduction

- A growth story; but why should we be concerned about growth?
- Development requires high sustained (and inclusive) growth
- For SSA at least, high sustained growth requires
 - Growth acceleration
 - Avoidance of growth collapse

The African Growth Record

Half-decadal Mean Annual SSA GDP Growth Rates (%), 1961-2005



Source: World Development Indicators, World Bank, several years, and author's computation.

But there are country exceptions

- E.g., 1981-85 and 1991-95 (the really bad times!), there were 'good' performers (PC GDP growth ≥ 1.0 %):

1981-85 (12)

- Benin; Botswana; Burkina Faso; Burundi; Cameroon; Cape Verde; Chad; Comoros; Congo Republic; Guinea Bissau; Mauritius; and Somalia.
 - Why? Exceptions due mainly to higher TOT

1991-95 (13)

- Botswana; Burkina Faso; Cape Verde; Equatorial Guinea; Eritrea; Ghana; Lesotho; Malawi; Mauritius; Namibia; Seychelles; Sudan; and Uganda.
 - Why? High TOT for some but many under reforms (SAPs?)

Recent Growth Record – Who is who?

(Source: Arbache et al., 2008, WB)

Table 1: GDP Growth Rates for Individual Countries in Sub-Saharan Africa¹					
Countries with GDP Growth > 4%, 2000-06 (70% of SSA Population) (78% of SSA GDP)			Countries with GDP Growth < 4%, 2000-06 (30% of SSA Population) (22% of SSA GDP)		
	2000-2006	1995-2006		2000-2006	1995-2006
Equatorial Guinea	23.1	36.2	Mauritius	3.9	4.4
Sierra Leone	11.6	1.7	Cameroon	3.7	4.1
Chad	10.9	7.4	Kenya	3.6	3.3
Angola	10.6	9.8	Niger	3.5	3.6
Liberia	8.9	12.1*	Lesotho	3.4	3.2
Mozambique	7.6	7.9	Madagascar	3.2	3.2
Sudan	7.3	5.8	Guinea	2.8	3.6
Tanzania	6.3	5.2	Congo, Democratic Republic of	2.6	0.6
Ethiopia	6.2	5.7	Malawi	2.6	4.4
Burkina Faso	6.1	6.6	Comoros	2.4	2.2
Cape Verde	5.7	6.9	Swaziland	2.4	2.8
Nigeria	5.6	4.4	Burundi	2.2	0.3
Uganda	5.6	6.4	Togo	1.7	2.3
Rwanda	5.5	9.7	Eritrea	1.3	2.6
Botswana	5.3	6.3	Guinea-Bissau	1.2	0.3
Ghana	5.0	4.8	Gabon	1.1	1.4
São Tomé and Príncipe	5.0	3.7	Central African Republic	0.2	1.1
Mauritania	4.9	4.6	Seychelles	0.1	2.3
Gambia, The	4.9	4.6	Côte d'Ivoire	-0.3	2.0
Congo, Republic of	4.9	3.6	Zimbabwe	-5.5	-2.6
Mali	4.9	5.1			
Zambia	4.8	3.4	Average	1.8	2.3
Namibia	4.5	4.1			
Benin	4.2	4.6			
South Africa	4.1	3.5			
Senegal	4.1	4.3			
Average	6.8	6.9			

Source: World Bank World Development Indicators database.

¹ The cut-off point of 4 percent is based primarily on the performance during 2000-06. Somalia is not included for lack of data. At the World Bank, Djibouti is classified as part of Middle East and not part of Sub-Saharan Africa.

*Data for Liberia was available only for 1999-2006.

Has the recent growth acceleration reduced poverty?

Historical Poverty Record (Headcount Ratio, %): SSA vs. South Asia (SAS) and India (Source: WB, POVCAL 2009)

A. \$1.25 Standard

	<u>1981</u>	<u>1996</u>	<u>2005</u>
SSA	53.4	58.8	50.9
SAS	59.4	47.1	40.3
India	55.5*	49.4**	41.6

B. \$2.50 Standard

SSA	80.9	84.2	80.4
SAS	92.6	88.5	84.4
India	91.5*	89.9**	85.7

■ *For year 1983 **For year 1994

Accounting for Real GDP Growth per Worker (%)

Period	Growth	Contribution to Growth		
		Physical Capital	Education	Residual*
1960-64	1.33	0.53	0.12	0.68
1965-69	1.74	0.80	0.20	0.75
1970-74	2.33	1.05	0.22	1.06
1975-79	0.19	0.74	0.24	-0.79
1980-84	-1.70	0.16	0.29	-2.16
1985-89	0.45	-0.22	0.34	0.33
1990-94	-1.74	-0.08	0.30	-1.95
1995-00	1.51	-0.12	0.26	1.37
Total	0.51	0.36	0.25	-0.09

* Used as measure of (growth in) total factor productivity (TFP)

Explaining the Growth: The Anti-growth Policy Syndromes (1960-2000)

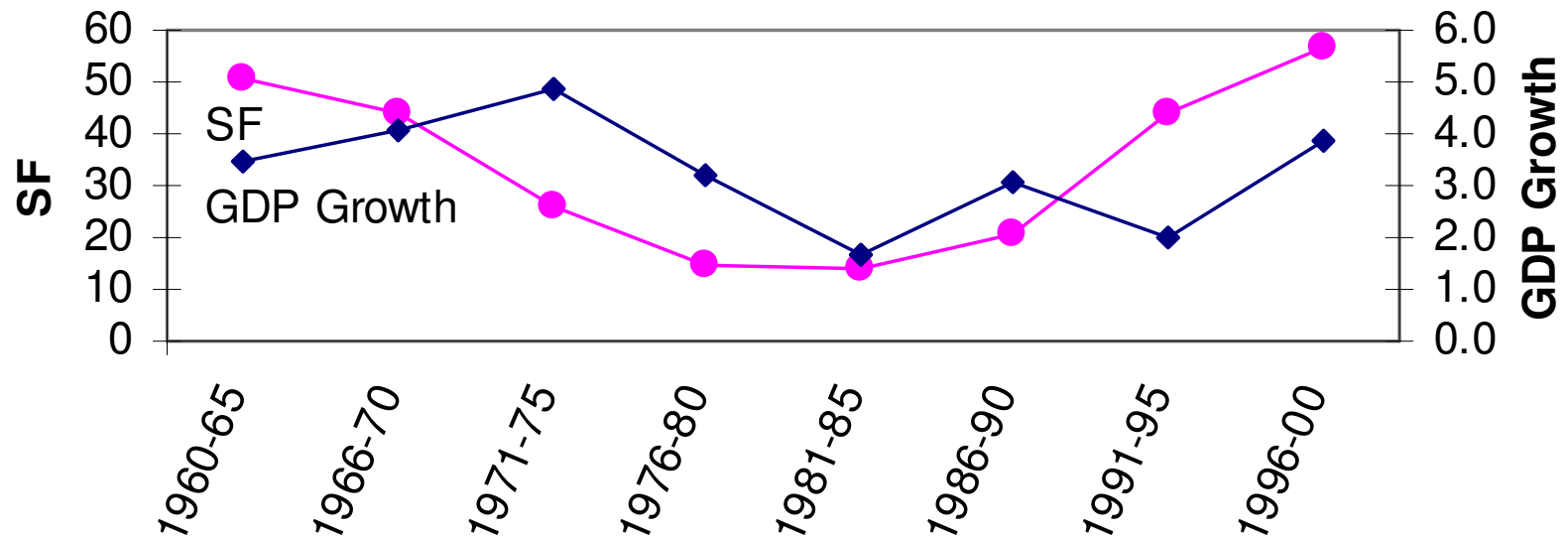
- Regulatory/State Controls (0.34)
- Adverse Redistribution (0.22)
- Sub-optimal Inter-temporal Allocation (0.09)
- State Breakdown (SB) (0.10)

- Syndrome-free (SF) (0.25)

(Source: *The Political Economy of Economic Growth in Africa 1960-2000*, Cambridge U Press, 2008 – volumes 1 and 2)

Syndrome-free (SF) and Growth

Evolution of Syndrome-free (SF) and Annual GDP Growth in SSA, 1961-2000 (%)



Source: SF from AERC Growth Project (see Cambridge volume 1, 2008); GDP growth data from *World Development Indicators*, World Bank, several years, and author's computations.

SF and Growth

Econometric Evidence (Fosu and O'Connell, *ABCDE*, 2006)

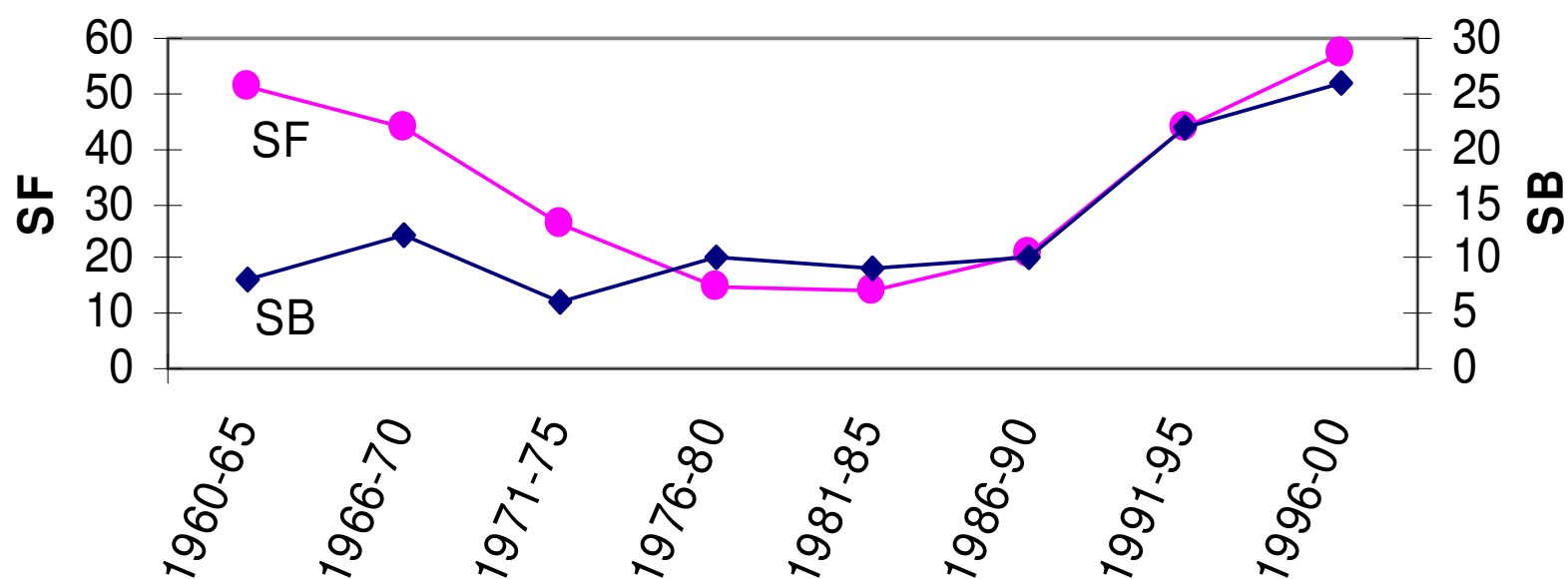
Being SF:

1. would be essential for maintaining accelerated growth, for it:
 - is a necessary condition for growth
 - is a near-sufficient condition for preventing a growth collapse
2. could have added **at least*** 2.0 percentage points annually to the average per capita GDP growth of SSA:
 - representing about 60 percent of the gap with EAP
 - exceeding the gap with LAC, SAS, MENA and IC, and
 - representing about twice the gap with the global economy.

*See Collier and O'Connell (2008) and Fosu (2009, WIDER RP)

Problem! Syndrome-free (SF) vs. State Breakdown (SB)

Evolutions of Syndrome-free and State Breakdown regimes, 1960-2000 (%)



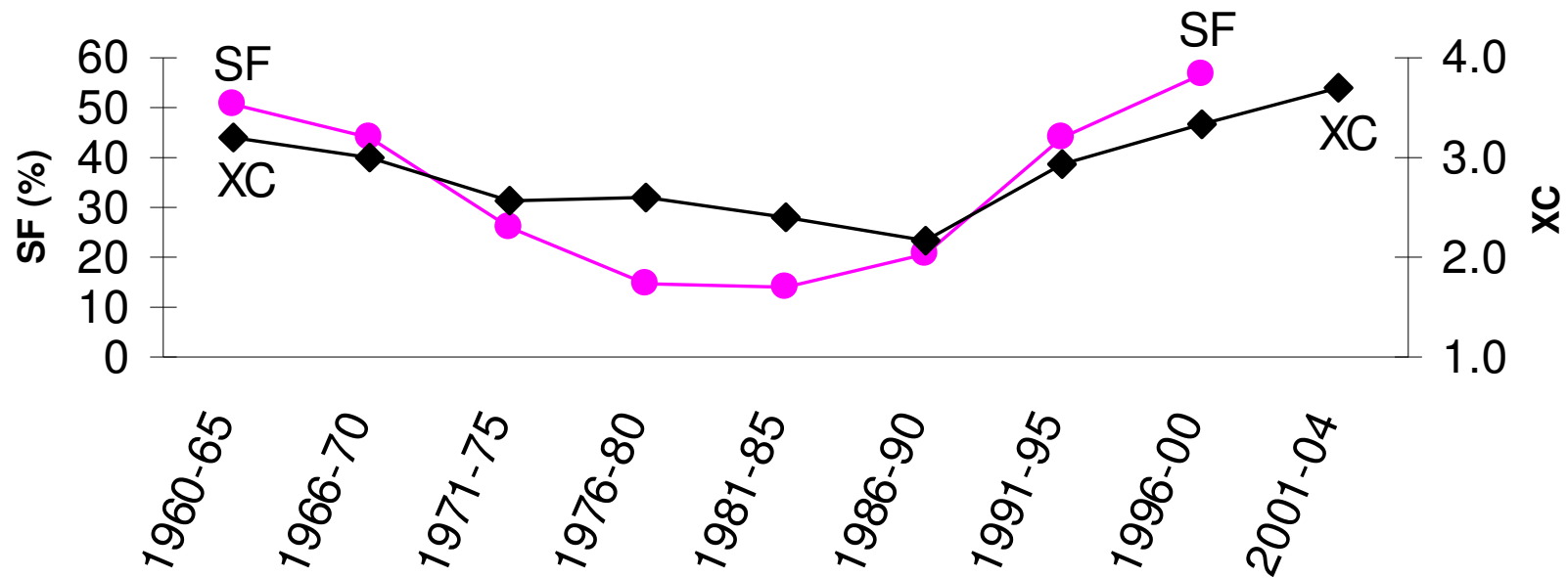
Source: AERC Growth Project data (see, e.g., Fosu, 2008, *AERC Cambridge volume*).

Whither Governance? The Basic Challenges

1. Increasing the likelihood of SF
 2. Decreasing the likelihood of SB
- Q1: Can 'governance' help?
 - Q2: How?

Q1: Can Governance help? (e.g., XCONST is more positively correlated with SF than with growth)

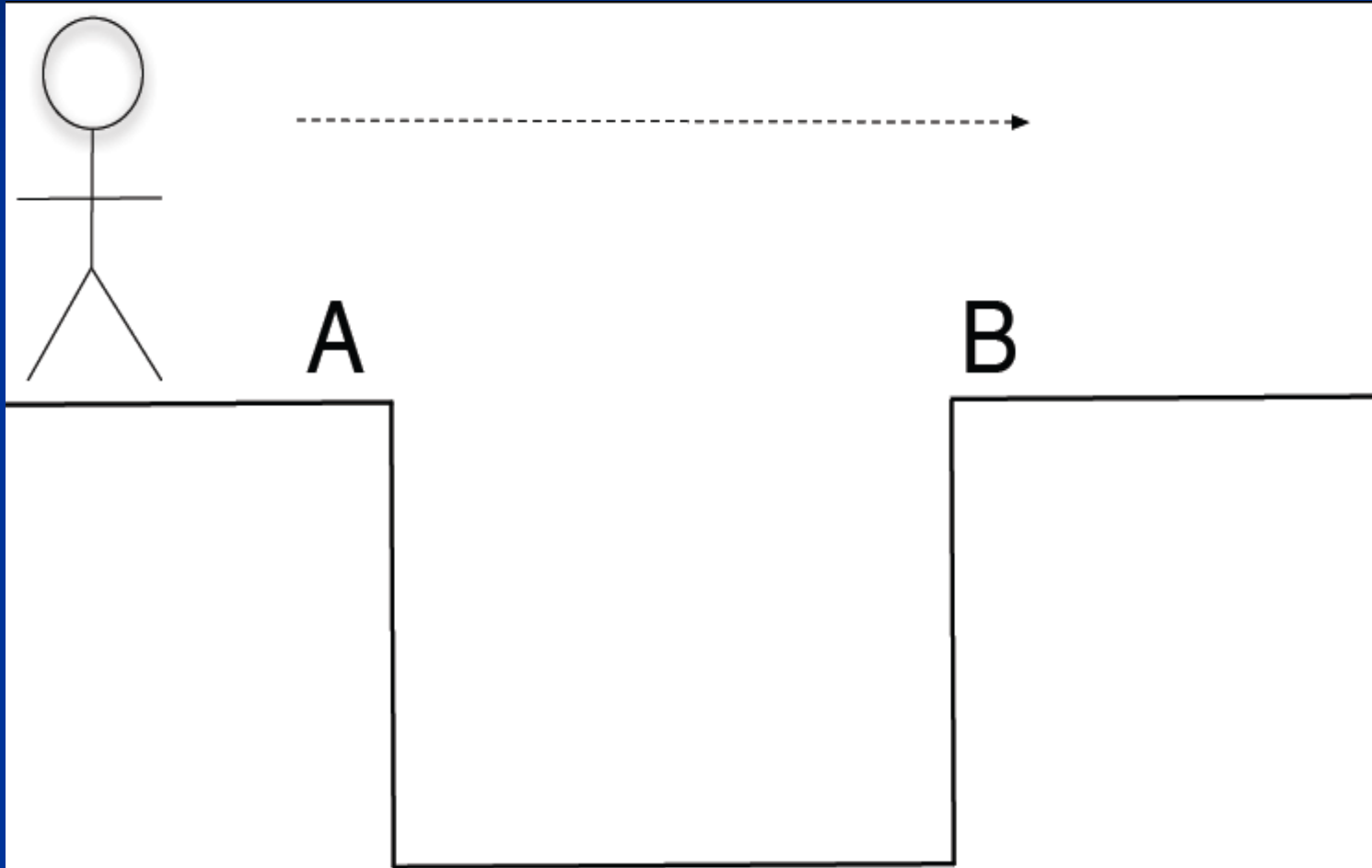
Evolutions of Syndrome-free (SF) and Executive Constraints (XC), 1960-2004



Q2: How can Governance help?

1. A Principal-Agent Problem
2. Solving the Problem
 - Accountability
3. Political contestability an appropriate mechanism for accountability? Yes, via corruption↓, but XCONST most critical for 'developmental governance' (Alence, *JMAS*, 2004)
4. XCONST can increase SF independently or via mitigating the negative effect of ethnicity on SF (Fosu, 2009)
5. Democracy and growth in Africa
 - Good and Bad news: Increasing index of electoral competitiveness has a U-shape relationship with GDP growth in Africa (Fosu, *Economics Letters*, 2008)

Transcending the Threshold



Conclusions

- ‘Good’ governance in the form of XCONST is promising for increasing SF and growth
- But how do we attain the optimal level of XCONST?
- Might political term limitation of the executive help?
- And, how do we transcend the threshold of political disorder and reach ‘advanced-level’ democracy?
- Meanwhile, what do we do for those already in the abyss – conflict/post-conflict economies?

Thank you!