

Unlocking Africa's potential

The relationship between effective governance and poverty

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Summary

The overarching priority of the Sustainable Development Goals (SDGs) is to improve human development outcomes. At the heart of that focus is poverty reduction. The first target of the first SDG is to 'eradicate extreme poverty for all people everywhere'. Goal 16 of the SDGs introduces a framework for improving governance and this research aims to demonstrate the impact of more effective governance on poverty reduction. It does so by comparing the effect of improved governance to the reductions in poverty realised by two other SDG targets with strong links to poverty, specifically the elimination of certain communicable diseases (SDG 3.3) and the provision of universal access to improved sanitation facilities (SDG 6.2).

IN SEPTEMBER 2015, the United Nations (UN) formalised the 2030 Agenda for Sustainable Development.¹ At the core of this global development framework are the Sustainable Development Goals (SDGs), an ambitious set of 17 broad goals with 169 accompanying targets. Although the SDGs are meant to be 'integrated and indivisible', the agenda clarifies that 'eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development'.² So while the SDGs can be understood as a structure for advancing development in general, at their core they constitute a comprehensive, global poverty elimination strategy. Thus, Target 1 of Goal 1 is to 'eradicate extreme poverty for all people everywhere'.³

Although the Millennium Development Goals (MDGs) also made poverty reduction a core focus, the SDGs provide a far more exhaustive set of goals and targets for achieving that objective. One of the most important, and controversial, additions to

the SDG agenda is Goal 16, which endeavours to ‘promote peaceful and inclusive societies’ and to ‘build effective, accountable and transparent institutions at all levels’.⁴

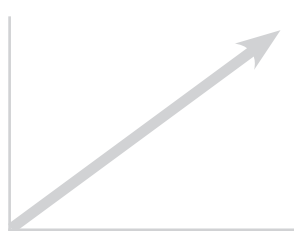
Goal 16 has many different components, ranging from reducing violence and ending human trafficking to reducing corruption and illicit financial flows.⁵ These are some of the most wide-ranging and aspirational of the SDGs, but also some of the least clearly defined. In contrast to the very clear targets of other goals (e.g. providing universal access to improved water and sanitation or eliminating certain communicable diseases), the targets of Goal 16 are more subjective. That many of the targets of Goal 16 lack clarity, however, does not make them less instrumental to poverty reduction than other goals. In fact, some targets of Goal 16, in particular target 16.6, could have powerful effects on poverty reduction in developing countries, especially in Africa. Target 16.6 aims to ‘develop effective, accountable and transparent institutions at all levels’ as a pathway toward the cultivation of good governance.⁶

For poverty reduction strategies to be successful, governments must have the ability to effectively obtain and distribute resources

Effective governance has been identified as a principal determinant of growth since at least the 18th century. In *The Wealth of Nations*, Adam Smith observed that, ‘commerce and manufacturers, in short, can seldom flourish in any state in which there is not a certain degree of confidence in the justice of government’.⁷ This sentiment has been echoed more recently by international relations scholars such as William Easterly, Dani Rodrick and Douglass North, who argue that institutional quality is paramount in promoting economic growth.⁸ Despite using slightly different terminology, the SDGs, Smith and modern researchers are all addressing the ability of a state to effectively implement its priorities.

Although desirable, economic growth is a necessary, but not a sufficient, condition for poverty alleviation. For poverty reduction strategies to be successful, they must be conceived, implemented and monitored by governments that have the ability to effectively obtain and distribute resources, along with providing other goods and services such as property rights, confidence in the rule of law and a transparent regulatory framework. This paper will use the International Futures (IFs) forecasting system, developed and housed by the Frederick S. Pardee Center for International Futures (Pardee Center) at the University of Denver, to explore some of the effects of improved governance on poverty reduction in Africa.

Because a central component of effective governance is the ability to deliver services, advancing the level of government effectiveness will necessarily



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create substantial improvements across all areas of government. The purpose of this research is to compare the effects of three interventions on poverty reduction: improving governance, eliminating communicable diseases and providing universal access to improved sanitation. Relative to the comparison scenarios, incremental improvements in governance effectiveness over the SDG period have a greater impact on poverty reduction. The intent is to call attention to the importance of effective governance in Africa and demonstrate its impact on poverty reduction rather than prescribe any set of development priorities at the country level.

This paper was produced as part of the African Futures Project (AFP). The AFP is an ongoing collaboration between the Institute for Security Studies (ISS) and the Pardee Center.⁹

Background

Poverty takes many forms and can be understood broadly as the inability to attain a minimum level of wellbeing. This paper will address extreme poverty, which has been defined by the World Bank as a 'condition of life so characterised by malnutrition, illiteracy and disease as to be beneath any reasonable definition of human decency'.¹⁰ This paper uses US\$1.90 per person per day (in constant 2011 dollars) as the level of income necessary to maintain this minimum level of human decency.

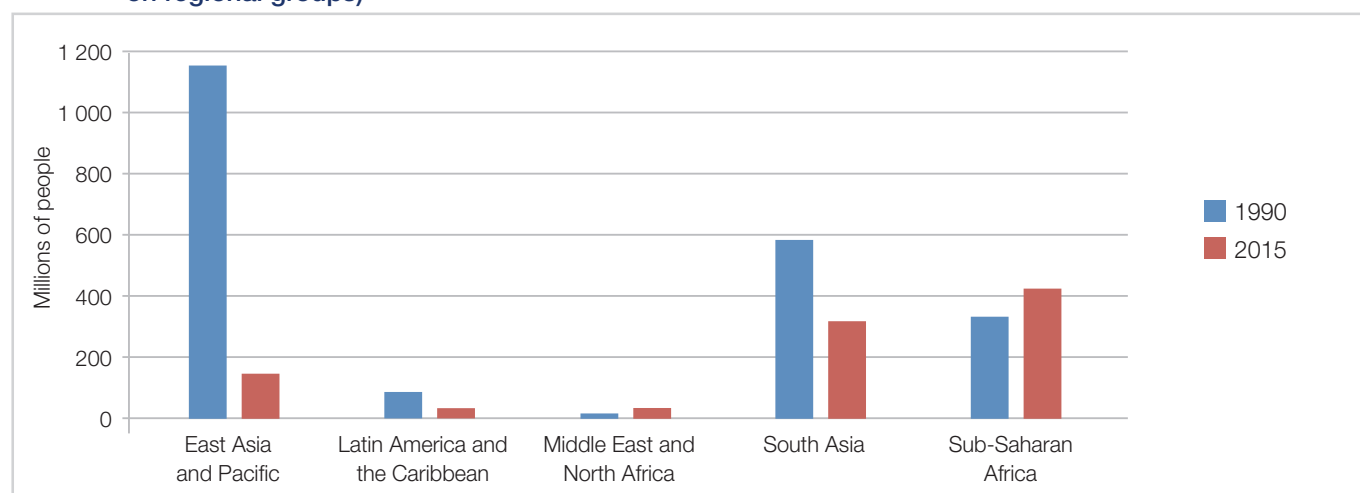
When the SDGs were agreed upon, the threshold used for the MDGs, i.e. US\$1.25 per person per day (in constant

2005 US dollars), measured in purchasing power parity (PPP) was still the international standard. However, the World Bank recently revised its definition of extreme poverty, due largely to a new set of PPP figures measured in constant 2011 US dollars. Extreme poverty is now defined by the World Bank as the number of people surviving on less than US\$1.90 a day (in constant 2011 US dollars).¹¹ This figure can be expressed in two ways, either as an absolute number or 'headcount' (typically in millions of people) or as a percentage of a given population (i.e. a country or region).

Sub-Saharan Africa was home to more people living in extreme poverty than any other region in 2015

Using this threshold for extreme poverty, sub-Saharan Africa has the highest number of people in the world living below that income level. Figure 1 illustrates the extent of poverty in world regions (in millions of people) in 1990 and 2015. Figure 1 shows that sub-Saharan Africa was home to more people living in extreme poverty than any other region in 2015. Africa (along with the Middle East) is also the only region in the world where the absolute number of people living in extreme poverty actually increased between 1990 and 2015. Figure 1 also shows the exceptional poverty reduction achieved by East Asian and Pacific countries (most famously China) during the period covered by the MDGs.¹²

Figure 1: People living on less than \$1.90 a day in 1990 and 2015 by region (see Appendix 1 for more details on regional groups)



Source: World Bank WDI project.

Although poverty is typically seen as the result of underdevelopment, people living in poverty are often prevented from reaching their full potential because of the circumstances created by poverty itself. Poverty, understood in this manner, is intimately connected with a number of poor development outcomes, such as low educational attainment, high prevalence of communicable diseases, violence, underemployment, malnutrition and stunting. For this reason, many economists and development experts have called for a more comprehensive definition of poverty that goes beyond a threshold of income, one of the most notable responses being from Amartya Sen. Sen argues that a view of poverty based on income inequality does not sufficiently address the relative deprivation associated with living in poverty.¹³ Poverty, for Sen, represents an inadequacy of human capabilities, or a lack of potential for achievements in areas of life that matter to people.

One consistent criticism of the MDGs is that they paid insufficient attention to the role of governance on development outcomes

Proponents of the capabilities approach have endeavoured to create indices by which to measure human development. The most well-known of these attempts is probably the Human Development Index (HDI), created by the UN Development Programme. The HDI uses gross national income per capita, average levels of education and life expectancy at birth as determinants of quality of life. While there is much to be said about the merits of a capabilities approach, there are significant problems surrounding its measurement that have implications for forecasting. Moreover, because any index that is created will be imposed exogenously across cultural, social and economic classes, a capabilities approach removes the role of individual agency in human development outcomes.

Whatever definition of poverty one chooses, the role of governance in shaping the quality of life of individuals is paramount, particularly in low-income countries. This recognition is the driving motivation behind the inclusion of a governance-focused SDG (SDG 16) in Agenda 2030. One consistent criticism of the MDGs is that they paid insufficient attention to the role of governance on development outcomes.¹⁴ This paper follows the World Bank's World Governance Indicators (WGI) project's definition of governance:

“Governance consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them.”¹⁵

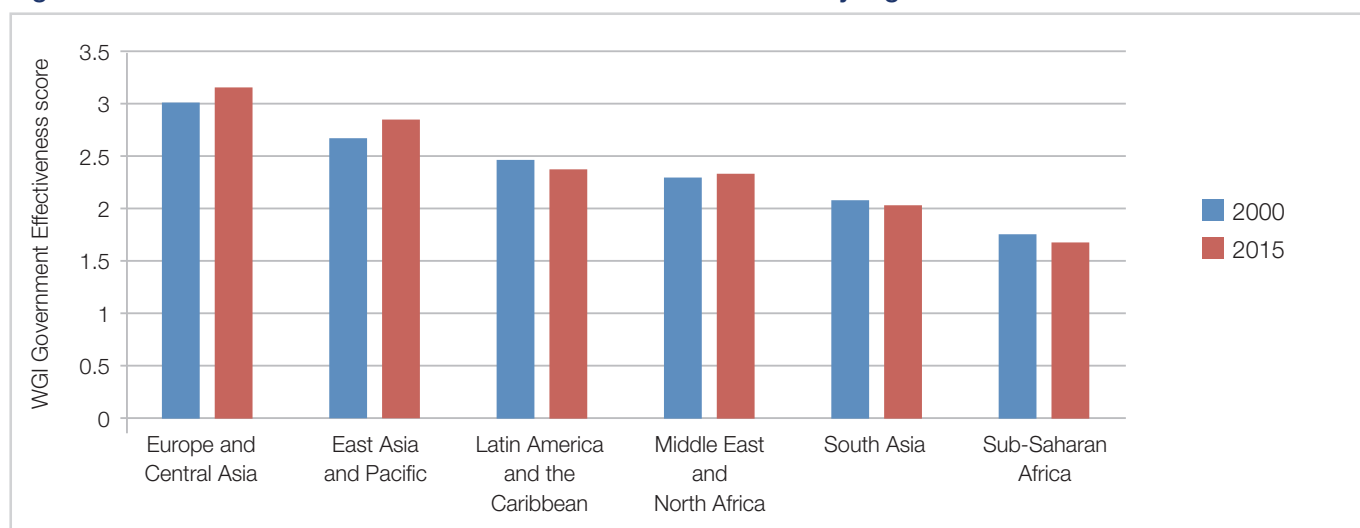
In line with this approach, governance consists of three central components or dimensions: security, capacity and inclusion.¹⁶ While inclusivity (generally

THE HUMAN DEVELOPMENT
INDEX HAS

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LIFE EXPECTANCY,
EDUCATION AND INCOME

Figure 2: World Bank Government Effectiveness in 2000 and 2015 by region



Source: International Futures version 7.24.

understood as participatory democracy) and security are crucial aspects of governance and have important and complex relationships with human development, the chief purpose of this paper is to assess the potential for enhanced governance capacity to reduce poverty. Governance capacity refers to the state’s ability to carry out its essential functions – civil service, taxation, rule of law and public safety – or to “formulate and implement strategies to achieve economic and social goals”.¹⁷

In the developing world, states are often referred to as ‘weak’ in reference to their level of institutional and economic capacity, which invariably coincides with high levels of poverty.¹⁸ Figure 2 shows that sub-Saharan Africa has consistently underperformed relative to other world regions on a measure of the WGI government effectiveness score since 2000. Sub-Saharan Africa is also one of the regions where government effectiveness declined over the MDG period.

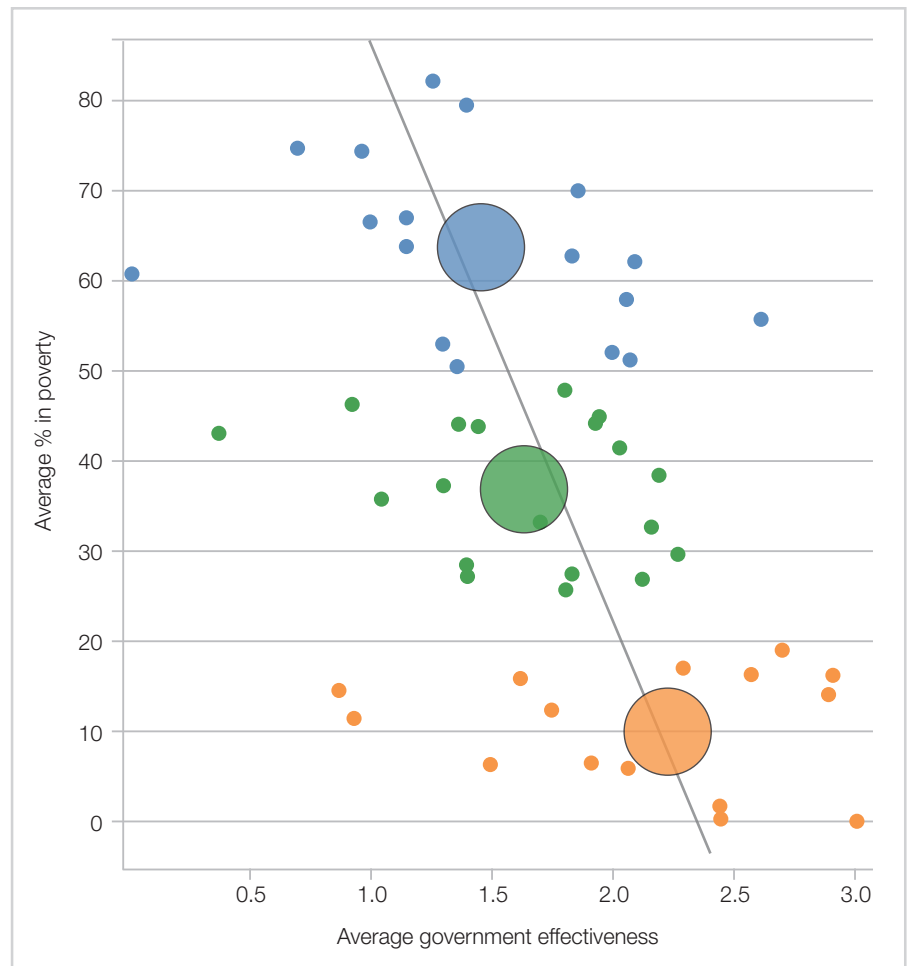
One obstacle to effective governance in some African countries is the high prevalence of armed conflict and political violence

Figure 3 shows the relationship between government effectiveness and poverty in Africa. The relationship is significant when viewing aggregated country groups. But, at the country level, a number of outliers underscore the broad diversity in government effectiveness across countries in sub-Saharan Africa with similar levels of poverty.

One obstacle to effective governance in some African countries is the high prevalence of armed conflict and political violence. For example, Somalia, which has been mired in conflict for well over two decades, has by far the least effective governance in Africa (and indeed the world). Another concern is



Figure 3: Relationship between poverty and government effectiveness in Africa in 2015 by individual country and groups based on poverty (more detail on country groups is provided in a following section)



Source: World Bank WDI project.

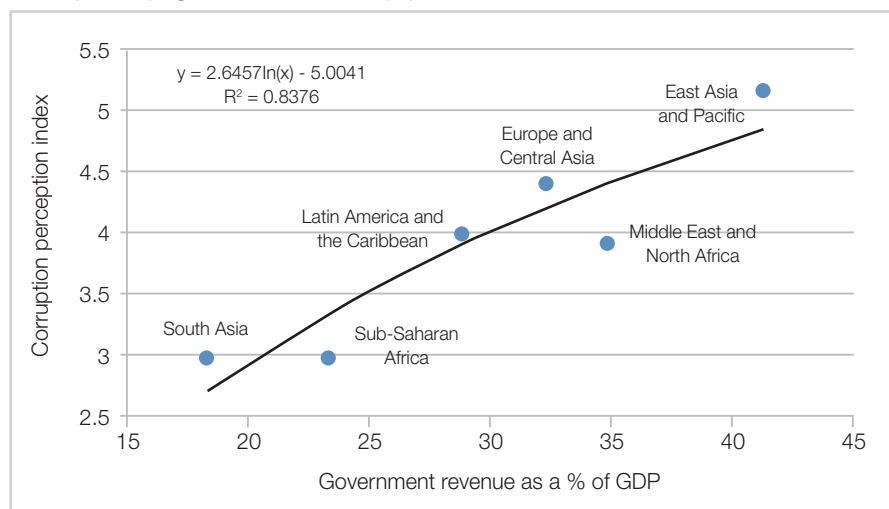
that, even where data should otherwise be available, the figures do not seem representative of the actual conditions. While most countries report poverty according to a widely recognised definition (e.g. US\$1.90 per person per day), Equatorial Guinea has only ever reported poverty according to a nationally defined threshold, which makes comparison across countries difficult. Moreover, the last time Equatorial Guinea reported poverty data was nearly a decade ago, which probably does not accurately reflect the situation today.¹⁹

A major component of effective governance is the ability of the state to collect and allocate resources efficiently. Wagner’s Law holds that, as states consolidate and become more resilient, they consume a greater share of gross domestic product (GDP) and the quality of public administration improves.²⁰ This theory is borne out in the developing world, as many countries have marginal ability to collect revenue through taxes due to their ineffective governance. State budgets are, thus, largely dependent on



STATE BUDGETS ARE LARGELY DEPENDENT ON CORPORATE TAXES, RESOURCE RENTS AND FOREIGN AID

Figure 4: Relationship between revenue collection and the perception of corruption (higher is less corrupt)²¹



Source: Transparency International and the International Monetary Fund.

corporate taxes, resource rents and foreign aid. Corruption, in such contexts, is a major challenge, since these countries lack the checks and balances, institutions and systems to allow for the management of budgets. Even if states collect revenues successfully, the risk of state agents mismanaging funds is higher in less-developed regions, as shown in Figure 4.

The academic and policy focus has shifted in favour of economic, political and social inclusion as other key elements of the 'good governance' agenda

From around the mid-1980s until the early 2000s, much of the literature on the relationship of governance, growth and poverty reduction in Africa focused on a strong, developmental state model. Academics and development practitioners have given considerable attention to the feasibility of the so-called East Asian model in Africa. The approach combines strong leadership and a capable state with a pro-growth agenda to improve human development outcomes.²² More recently, the academic and policy focus has shifted in favour of economic, political and social inclusion as other key elements of the 'good governance' agenda supported by donor governments and multilateral institutions.²³ This shift has led to the emergence of a norms-based governance agenda in Africa that is both effective and inclusive (in terms of participation and contestation) on the grounds that such a state will deliver better development outcomes than developmental states.²⁴ According to Göran Hyden, this approach has made the application of governance in academic studies significantly more challenging.²⁵

The World Bank's WGI project represents one of the first systematic attempts to separate the different elements of governance and to quantify



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them. It includes six indicators on various aspects of governance: voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law and control of corruption. This particular index combines public perception data from a wide range of sources along with expert analysis — see Appendix 3. This paper will use two indicators from the WGI project – government effectiveness and regulatory quality – to explore some of the effects of improved governance on poverty reduction. The motivations for this selection are described in more detail in a following section.

In a 2011 cross-national study on good governance and the MDGs, Devin Joshi found that stronger government capacity – as captured by revenue collection, civil service quality and public service delivery – affected economic performance positively and improved countries' progress towards the MDGs relating to health, education, sanitation, nutrition and the environment.²⁶ Similarly, Roderik et al compared the respective impacts of institutions, geography and trade on income levels around the world and found that the quality of institutions was the most significant driver of income levels.²⁷

Despite the fact that the global target to halve the number of people living in extreme poverty was achieved during the MDG period, Africa did not meet this target

In combination, these studies demonstrate the importance of effective governance and its complex relationship with economic growth and income. This relationship was also evidenced by country level performance towards poverty reduction under the MDGs. Despite the fact that the global target to halve the number of people living in extreme poverty was achieved during the MDG period, Africa did not meet this target. Extreme poverty in Africa, as measured in millions of people, actually increased between 1990 and 2015. Moreover, the proportion of people living in extreme poverty also increased in a number of African countries.

Progress under the MDGs

The first MDG, which aimed to 'halve between 1990 and 2015, the proportion of people whose income is less than \$1.25 a day', was achieved five years ahead of the 2015 target. By 2010, the number of people living on less than US\$1.25 per day declined from about 40% of the global population to approximately 19%. However, that decrease was enabled largely by rapid progress in poverty reduction in China, which lifted approximately 700 million people out of extreme poverty during that period.²⁸ In Africa (excluding North Africa), the number of people living on less than \$1.25 per day decreased from 56.5% in 1990 to 48.5% in 2010. But even though the percentage of people living in poverty declined, due to rapid population growth, the absolute number of those living below the poverty line actually increased between 1990 and 2015.²⁹

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According to the World Bank, the absolute number of people living in poverty in sub-Saharan Africa grew from 280 million people in 1990 to 330 million people in 2012.³⁰ Moreover, five African countries also saw the proportion of people living in poverty increase during the MDGs: Central African Republic, Kenya, Mauritania, Nigeria, and Zambia.³¹ These figures do, however, obscure the fact that poverty in Africa is concentrated in a relatively small number of countries.³² By 2014, just four countries accounted for 52% of poverty on the continent: Nigeria, Democratic Republic of the Congo, Tanzania and Ethiopia, although this is due to the relatively large populations of these countries.³³ This increase in poverty also occurred in the context of gross domestic product (GDP) growth rates (about 4% between 1990 and 2015 in sub-Saharan Africa) that were above historical averages (compared to about 3.2% between 1960 and 1990), underscoring the complex relationship between GDP growth and poverty reduction.

According to the African Economic Outlook report 2016, average real GDP growth increased from 2% during the 1980s and 1990s to above 5% between 2001 and 2014.³⁴ However, in much of Africa, growth during this period was dominated by the extractive industries, particularly minerals, oil and gas. These sectors have notoriously weak links to poverty reduction because the businesses themselves are typically owned by foreign companies and therefore often do not generate long-term employment for domestic populations. Further, extractive industries are unusually prone to rent-seeking behaviour. Growth dominated by extractive industries has not been sufficient to lift people out of poverty or deliver the benefits to human development embedded in the aspirations of the MDGs.³⁵

Rwanda and Ethiopia were able to achieve growth and alleviate poverty, in part because priority was given to sectors with strong links to poverty reduction

The uneven nature of poverty reduction in Africa, compared to other developing regions during the MDG period, may indicate that more effective governance could help narrow the gap between GDP growth and poverty reduction. One factor to consider may be the sectors in which governments choose to invest. For example, according to a report published by the Economic Commission for Africa, average GDP growth during the MDG period in Rwanda (7.7%) and Ethiopia (8.9%) was associated with effective poverty reduction (-11% and -25% respectively).³⁶ However, in Nigeria, strong average GDP growth over that same period (7.7%) actually occurred alongside increasing levels of poverty (by about 5%).³⁷ Rwanda and Ethiopia were able to achieve growth and alleviate poverty, in part because priority was given to sectors with strong links to poverty reduction: agricultural development (a sector that employs some of the highest numbers of poor individuals) and an expansion of basic infrastructure and service delivery.³⁸ While in Nigeria, the dominance of the extractive industry created impressive GDP growth rates, but did not decrease the proportion of people living in poverty.³⁹

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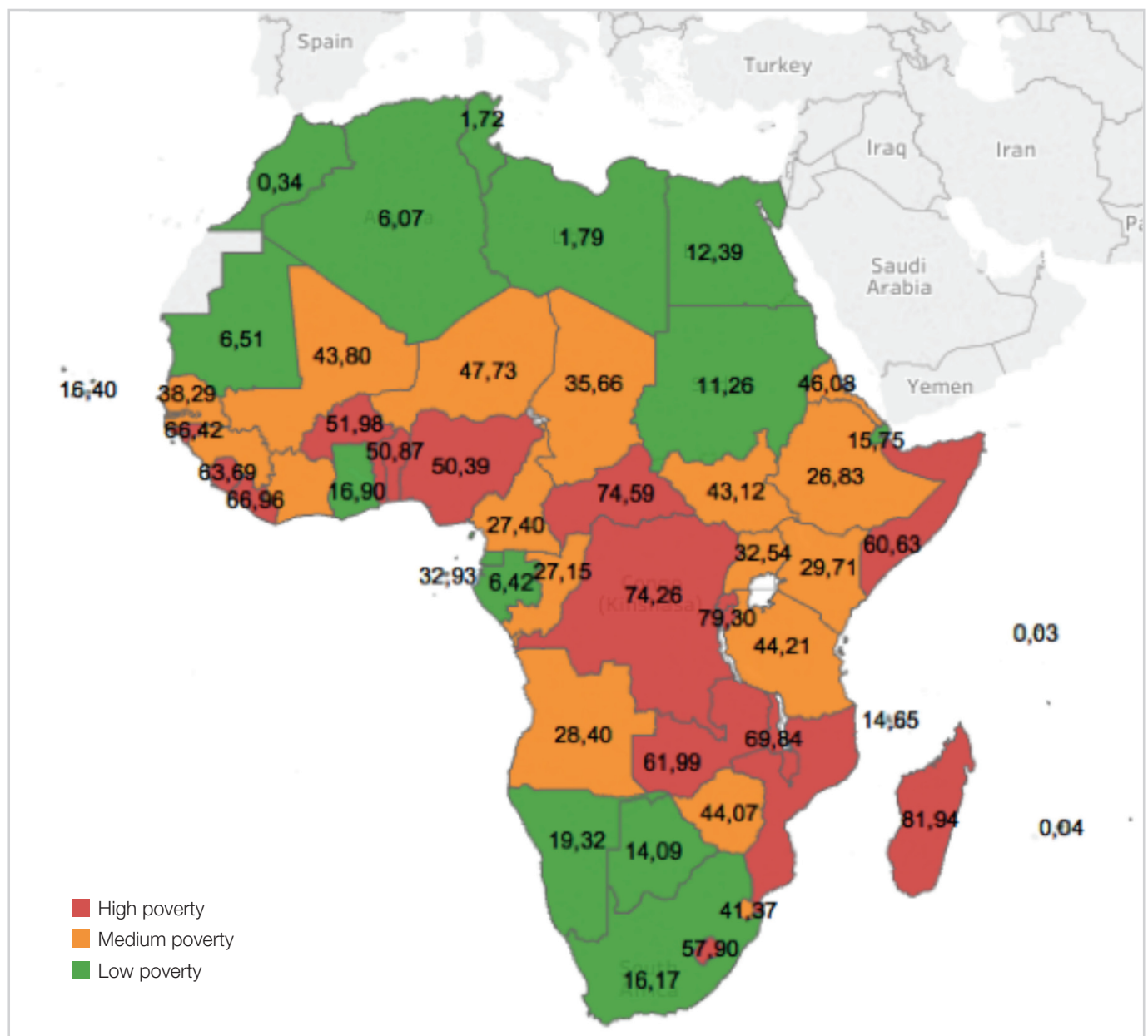
OF POVERTY ON THE CONTINENT: NIGERIA, DRC, TANZANIA AND ETHIOPIA

Country groups

To add context to the analysis presented in this paper, the effects of improved governance on poverty reduction in Africa will be explored using country groupings based on prevailing levels of poverty in 2015. Countries are classified as having high (above 50%), medium (between 25% and 50%) or low (below 25%) levels of poverty.⁴⁰ Figure 5 below shows the country groupings and the associated percentage of people living in extreme poverty in select African countries.

Along with having similar levels of poverty, these country groups also share other characteristics that lend themselves to comparison. These groups

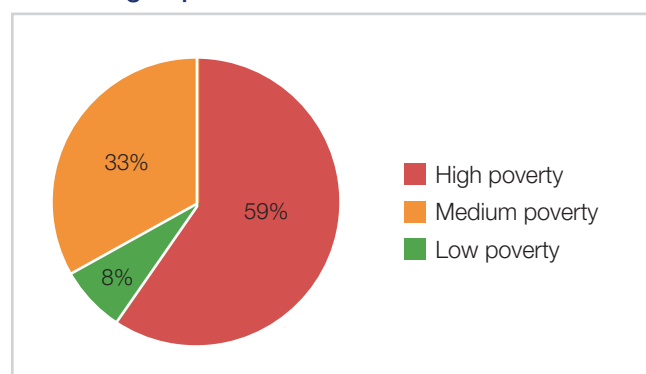
Figure 5: Map of country groups based on levels of poverty in 2015 (see Appendix 2 for more details)



Source: World Bank WDI project.

have relatively similar population sizes at 435 (high poverty), 320 (low poverty) and 430 (medium poverty) million people. Unsurprisingly, the low poverty countries have a significantly higher GDP per capita (US\$ 4 200), measured at market exchange rates (MER) than either the high poverty (US\$ 1 500) or medium poverty (US\$ 1 090) groups. What is unexpected is that high poverty countries actually have a higher GDP per capita than countries with medium levels of poverty, casting suspicion on the idea that GDP growth alone will drive poverty reduction. Despite having higher GDP per capita, the high poverty group accounts for nearly 60% of people living in extreme poverty in Africa. Figure 6 displays a breakdown of poverty across Africa by showing the percentage of people living in extreme poverty among the respective country groups in 2015.

Figure 6: Distribution of poverty in Africa by country group in 2015



Source: World Bank WDI project.

Measuring governance

According to the Patterns of Potential Human Progress edition on governance, state-formation historically progresses through three sequential transitions: greater security, stronger capacity, and broader and deeper inclusion.⁴¹ More recently these processes proceed simultaneously, albeit in ‘mixed and varied’ patterns.⁴² State formation in Africa has been particularly heterogeneous due to a complex array of factors, including a brutal colonial past, a high burden of conflict and a history of exploitation of primary commodities that extends well beyond the era of decolonisation.

Notwithstanding Africa’s unique history of development, state formation can still be understood in terms of

security, inclusion and capacity, even if those processes do not unfold in a linear manner. Security in this understanding refers to states’ ability to establish and maintain territorial sovereignty, which, according to theorist Charles Tilly, is achieved when states’ ‘war-making capacity is sufficiently advanced that they can bring about the cessation of warfare’.⁴³

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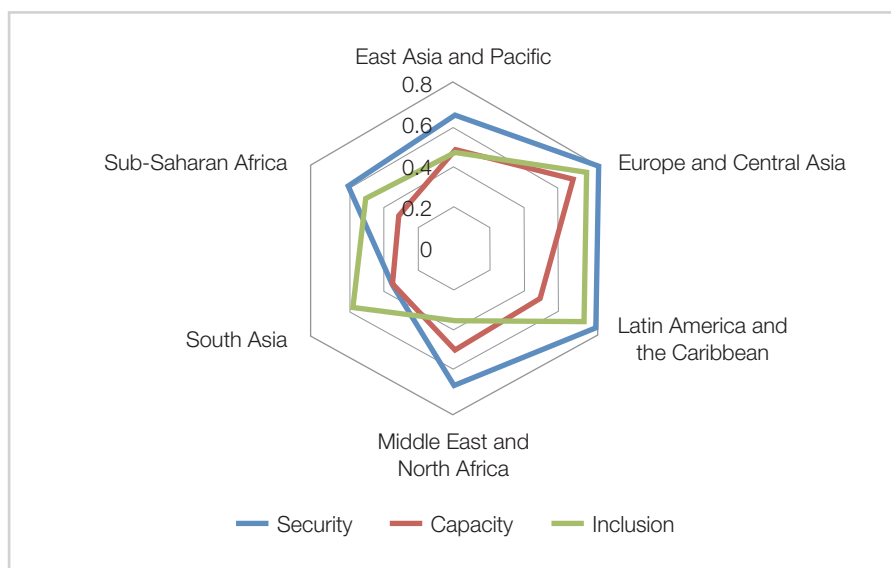
Inclusion, generally the final step in the process, refers to states’ transition towards more inclusive and participatory systems that are more representative of their populations or, broadly speaking, more democratic. This refers (at a minimum) to the states’ ability to hold free and fair elections. If a more robust conceptualisation of democracy is used, other indicators would fall under the umbrella of inclusion, including the free flow of information, freedom of association, gender equality, extensive participation in political decision making and a cooperative culture of political behaviour.⁴⁴

Capacity, typically the second pillar of governance and the focus of this paper because it most closely resembles effectiveness, refers to governments’ ability to manage the typical duties of a state: civil service, taxation, rule of law and public safety. In other words governance capacity creates a socio-political atmosphere where a particular understanding of a social contract is allowed to foster.⁴⁵ Capacity, therefore, requires the human resources to create a capable civil service, an effective taxation system, and a set of rules and laws that ‘create a social and economic environment that is perceived to be relatively fair and predictable’.⁴⁶ Capacity is arguably best demonstrated through the provision of public goods. That said, there is wide variation in the ways that states provide public goods and how they prioritise some areas over others. This makes measuring capacity difficult because the policymaking decisions and issue prioritisation of states are based on particular domestic constraints and leaders’ interpretations of the role of the state and the nature of the state-society relationship.

The presence of SDG 16.6 in Agenda 2030 means that scrutiny of the relationship between governance and human

development is likely to increase over the next 14 years, which elevates the importance of its measurement. IFs uses a combination of different sources to quantify the respective elements of governance. Security is measured by instances of intrastate armed conflict, metrics for state fragility and vulnerability to state failure. Capacity is measured by the ability of the state to mobilise financial resources and by the effective use of those resources. Inclusion is measured by regime type, degree of civil and political freedoms, and gender empowerment.⁴⁷

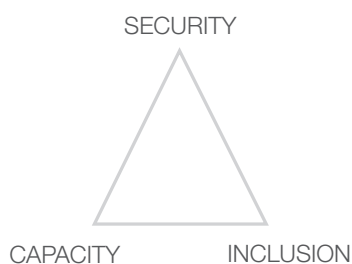
Figure 7: Developing regions' 2015 measures of security, capacity and inclusion



Source: International Futures version 7.24.

Figure 7 shows the relationship among these three state functions in major world regions as categorised by the World Bank (excluding North America). The hexagon represents the strength of the indicators, increasing from the centre to the outer rings. Sub-Saharan Africa's measures for the three pillars show that capacity lags well behind both security and inclusion. In the Middle East and North Africa, on the other hand, security is the strongest measure, followed by capacity and, lastly, inclusion. Consistent with the literature, security, inclusion and capacity are all strongest in the region with the most developed states: Europe and Central Asia.

ELEMENTS OF GOVERNANCE



SDG target 16.6 calls for effective, accountable and transparent institutions at all levels.⁴⁸ Because this paper focuses on effective governance, it uses a combination of two WGI indicators – government effectiveness and regulatory quality – to best capture the effectiveness component of SDG 16.6. According to the WGI project's creators, Kaufmann, Kraay and Mastruzzi, those two factors best capture governments' ability to 'effectively formulate and implement sound policies'.⁴⁹ *Government effectiveness* is an index that combines public perception data and expert analysis on quality of public services, quality of civil society and the degree of its independence

from political pressures, quality of policy formulation and implementation, and the credibility of the government's commitments to such policies. The *regulatory quality* measure captures the 'perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development'. Regulatory quality is also a combination of public perception data and expert analysis on the extent to which government representatives have confidence in and abide by the rules of society, as indicated by the quality of contract enforcement, homogeneity of property rights, the neutrality of the police and of the courts, and by the likelihood of crime and violence.⁵⁰ Given the similarities across these two measures, they are strongly correlated across countries.⁵¹

The most notable difference between the IFs-generated measure for capacity used in Figure 7 and the WGI measures is that the former includes data on government revenues as a percentage of GDP and perceived control of corruption as proxies for effective governance. The WGI measures, on the other hand, rely largely on public perception data. Both measures for effectiveness have their strengths and weaknesses.

The revenue mobilisation component used in the IFs generated measure of capacity does not disaggregate levels of revenue collected through taxation of households from that of foreign direct investment (FDI) or portfolio investment. This means that in countries where the share of revenues derived from households (as a % of GDP) is small (i.e. many African countries), high government revenue is often an indicator of high levels of foreign investment. In such countries, therefore, high shares of government revenue are often not reflective of a more effective social contract or an indication that the state can carry out one of its most essential functions: household tax collection.

In countries where the share of revenues derived from households is small, high government revenue is often an indicator of high levels of foreign investment

On the other hand, the WGI measures are based on public perception data. Public perception data are often criticised for their reliability, particularly in the quality of survey methods.⁵² However, the information compiled in the WGIs is derived from 31 different sources from a wide range of reputable institutions – see Appendix 3 for more details. For the purposes of this paper, the authors' interpretation of effective governance leans towards effective policymaking and implementation, and strength and quality of public administration and institutions rather than toward the mobilisation of revenue for public use. Therefore, the metrics from the WGI provide a better foundation for measuring the quality of institutions and leadership. Following this, the paper uses a combination of the two WGI measures previously mentioned (government effectiveness and regulatory quality) as a proxy for effective governance.



IN THE MIDDLE EAST AND
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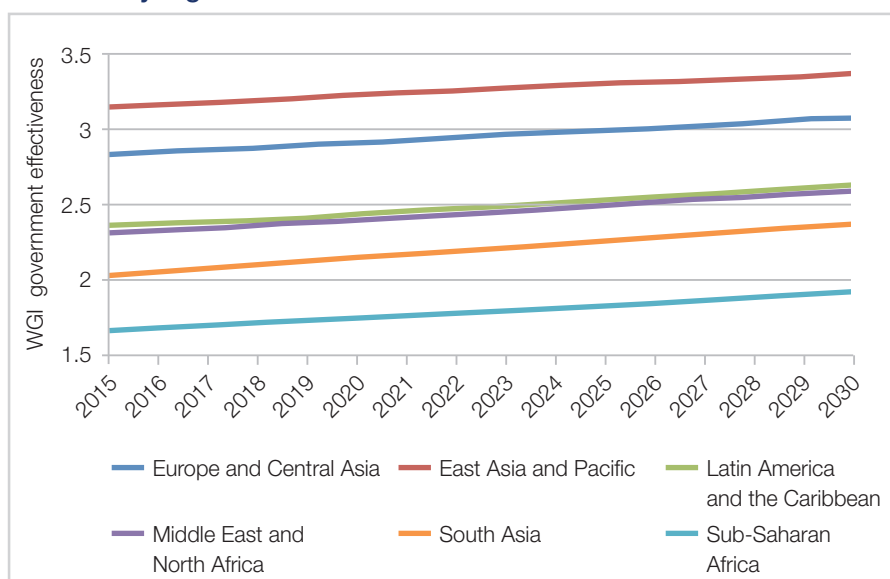
Scenarios

The first scenario presented is the Current Path, a forecast of Africa's likely development trajectory. Although the Current Path forecast generally demonstrates continuity with historical patterns, it provides a structure that moves beyond a simple linear extrapolation of previous trends. The Current Path assumes no major paradigm shifts, policy changes or 'black swans' (extremely low probability, but high-impact events).

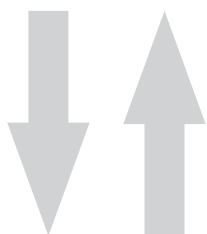
Current Path

On its Current Path, sub-Saharan Africa is forecast to continue to be the region with the least effective governance in the world, as shown in Figure 8. According to IFs, in 2030, sub-Saharan African countries will have governments that are less effective than those in South Asia (the next lowest-performing region) were in 2015.

Figure 8: The Current Path forecast of government effectiveness by region



Source: International Futures version 7.24, initialised using World Bank data.

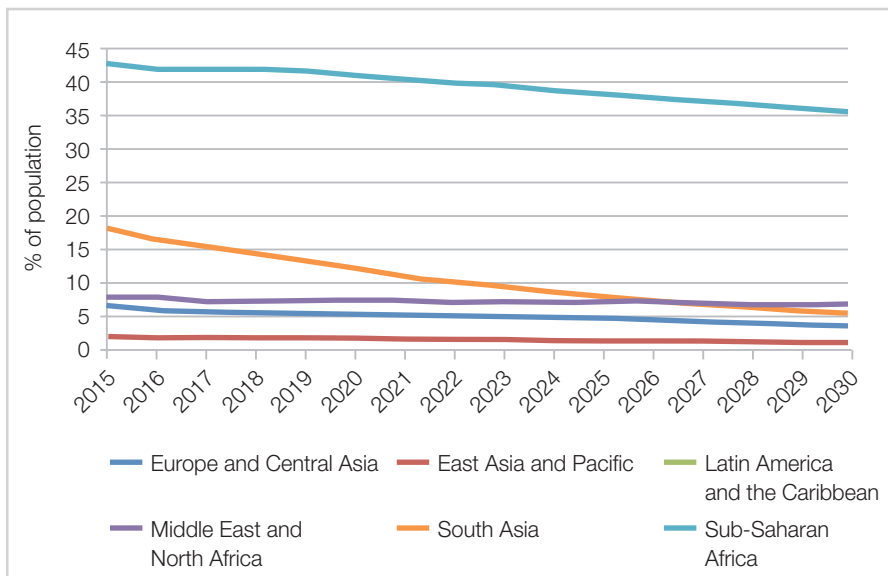


DRAMATIC REDUCTIONS IN POVERTY MADE BY OTHER REGIONS CAUSE THE SHARE OF GLOBAL POVERTY IN SUB-SAHARAN AFRICA TO INCREASE IN THE CURRENT PATH SCENARIO

Partly as a consequence of poor governance, at the conclusion of the SDG period in 2030, sub-Saharan Africa is also expected to be the region with the highest percentage of its population living in extreme poverty on the Current Path.

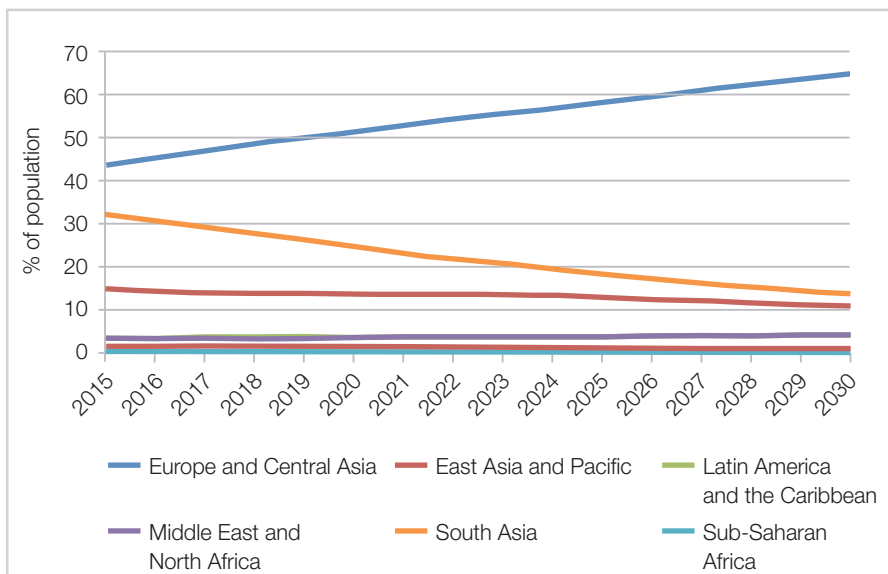
Although the percentage of people in sub-Saharan Africa living in extreme poverty is forecast to decline by about eight percentage points on the Current Path (Figure 9), the dramatic reductions in poverty made by other regions cause the share of global poverty in sub-Saharan Africa to increase. Figure 10 shows that, despite the reduction shown in Figure 9, the region will account for more than 65% of extreme poverty globally by 2030, up from 45% in 2015.

Figure 9: Percentage of people living in poverty by region on the Current Path



Source: International Futures version 7.24, initialised using World Bank data.

Figure 10: Distribution of poverty globally by region



Source: International Futures version 7.24, initialised using World Bank data.

The following section will demonstrate the impact of improved governance on poverty reduction in sub-Saharan Africa along with a basket of other development indicators: GDP, GDP per capita and infant mortality. The paper will conclude by weighing the effects of improved governance on poverty reduction against two SDG-relevant interventions from previous AFP papers.

Unlocking the Future

To model the impact of more effective governance in Africa, the level of government effectiveness and regulatory quality was improved to nearly the average of the top five performers (excluding Mauritius) in Africa in 2015

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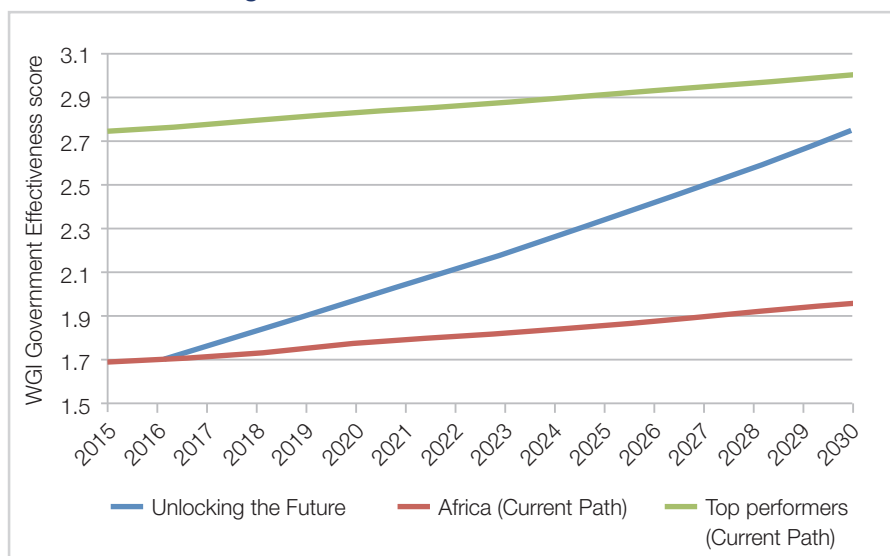
> 45%

IN 2015

by 2030.⁵³ Although the intervention runs only until 2030, the effects of this improvement in governance on other areas of human development are explored to the year 2050. Figure 11 shows the improvement on the World Bank government effectiveness score in the Unlocking the Future scenario relative to Africa's progress and that of the top five performers in Africa on the Current Path.

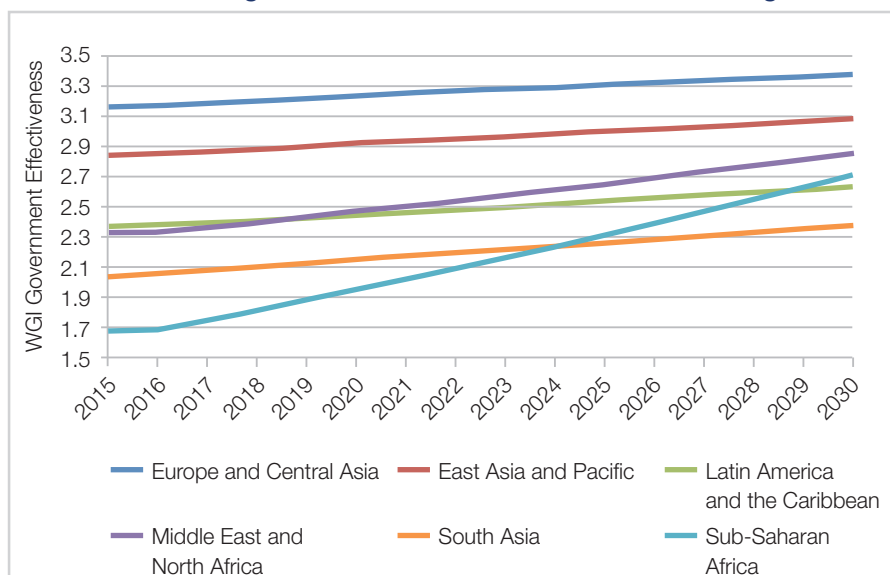
The Unlocking the Future scenario improves the level of government effectiveness in Africa by 2030 to roughly that of Latin America and the Caribbean – see Figure 12. There is also some convergence between the

Figure 11: Improvement in government effectiveness created by the Unlocking the Future scenario for Africa as a whole



Source: International Futures version 7.24, initialised using World Bank data.

Figure 12: Improvement in government effectiveness created by the Unlocking the Future scenario for different world regions



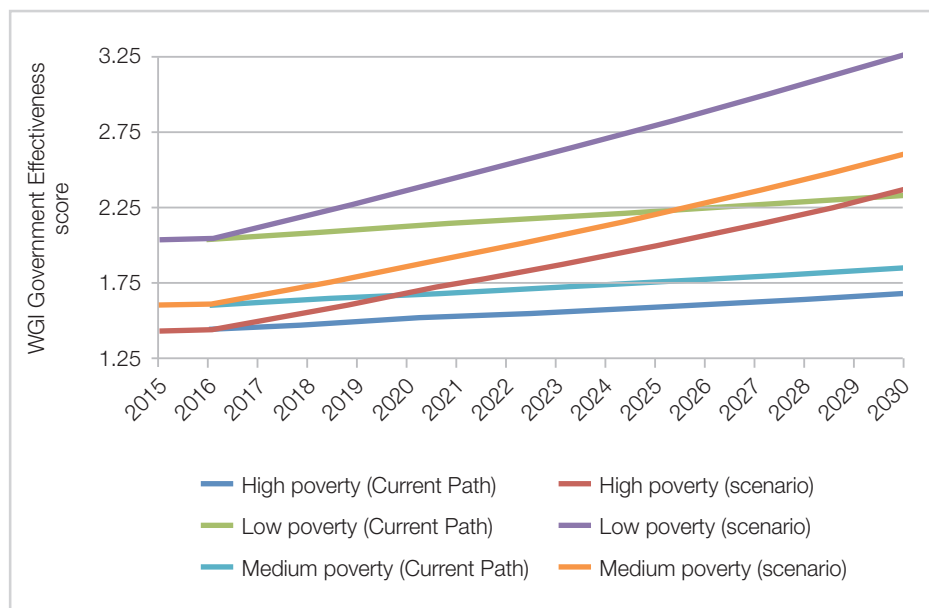
Source: International Futures version 7.24, initialised using World Bank data.



different regions in Africa, as defined by the World Bank. Because the majority of countries in Africa fall into the sub-Saharan regional grouping, the gap between the levels of government effectiveness in North Africa and sub-Saharan Africa starts to narrow in the Unlocking the Future scenario, beginning around 2020.

At the group level, the largest absolute gains in governance effectiveness in this scenario are in countries that currently have the lowest levels of poverty.⁵⁴ Meanwhile, countries with high levels of poverty experience the least significant improvement.⁵⁵ By 2030, the government effectiveness of countries with high levels of poverty is improved from about the level of Djibouti in 2015 to that of Tunisia in the same year. In countries with medium levels of poverty, the average level of government effectiveness is improved from roughly that of Cameroon (in 2015) to Namibia (in 2015) by 2030. Finally, countries with low levels of poverty see government effectiveness improve from the level of Ghana (in 2015) to about the average of Seychelles and Mauritius (in 2015) by 2030.⁵⁶

Figure 13: Improvement in government effectiveness created under Unlocking the Future by country groups, compared to the Current Path



Source: International Futures version 7.24, initialised using World Bank data.

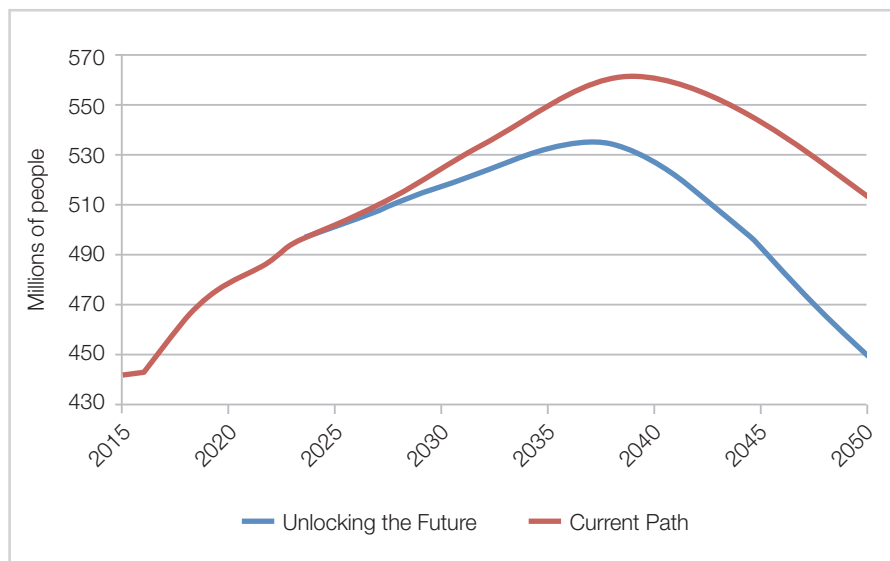
The Unlocking the Future scenario, or progress towards SDG 16.6, has enormous effects on poverty reduction by 2050. This scenario lifts more than 60 million people out of poverty by the year 2050, as shown in Figure 14. Figure 14 also illustrates the expected peak and decline of poverty in Africa. At this point, a combination of lower fertility rates (which slow population growth) and consistently high growth in GDP creates a growth in GDP per capita and subsequent reduction in the number of people living in extreme poverty in Africa. Under the Unlocking the Future scenario, the peak of poverty is achieved two years earlier (2037) than on the Current Path (2039) and the decline thereafter is steeper.

THE PEAK OF POVERTY IS ACHIEVED

2 years

EARLIER IN THE UNLOCKING THE FUTURE SCENARIO THAN ON THE CURRENT PATH SCENARIO

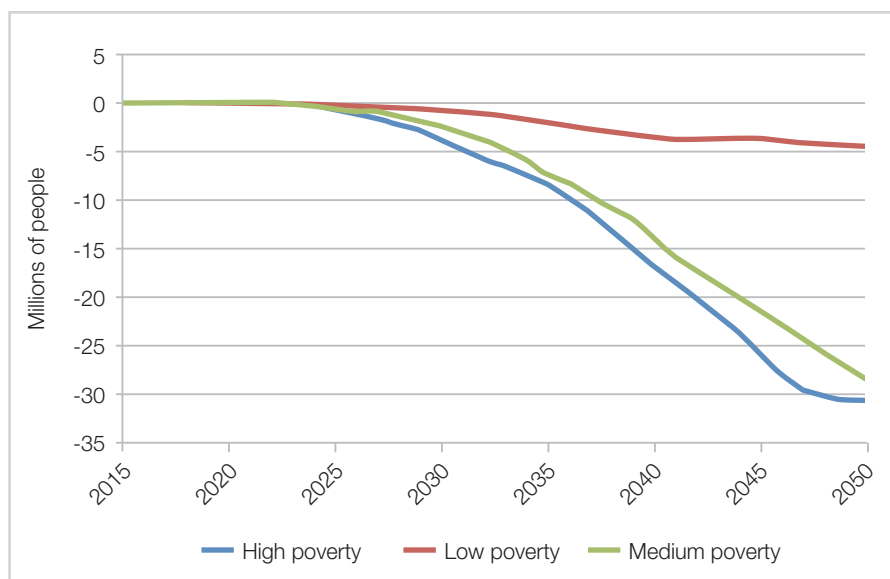
Figure 14: Number of people living in poverty in Africa under Unlocking the Future and the Current Path



Source: International Futures version 7.24, initialised using World Bank data.

At the group level, the Unlocking the Future scenario has the most significant effect on high-poverty countries, despite those countries seeing the smallest improvement in the government effectiveness metric (see Figure 13 earlier). Countries classified as having high levels of poverty in 2015 reduce the number of people living in extreme poverty by more than 30 million by 2050, or roughly 50% of the total reduction. Countries with medium levels of poverty see about 28 million fewer people living in extreme poverty, while the number of people living in extreme poverty in low poverty countries is reduced by about 4 million people by 2050 in the Unlocking the Future scenario.

Figure 15: Reduction in poverty (by group) created by the Unlocking the Future scenario



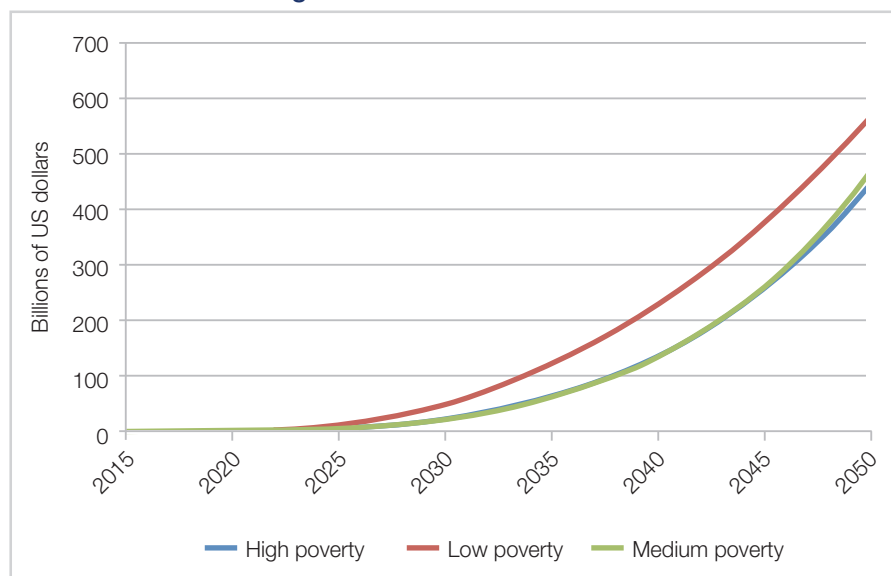
Source: International Futures version 7.24, initialised using World Bank data.

4 million

THE FEWER NUMBER OF PEOPLE LIVING IN EXTREME POVERTY IN LOW POVERTY COUNTRIES BY 2050 IN THE UNLOCKING THE FUTURE SCENARIO

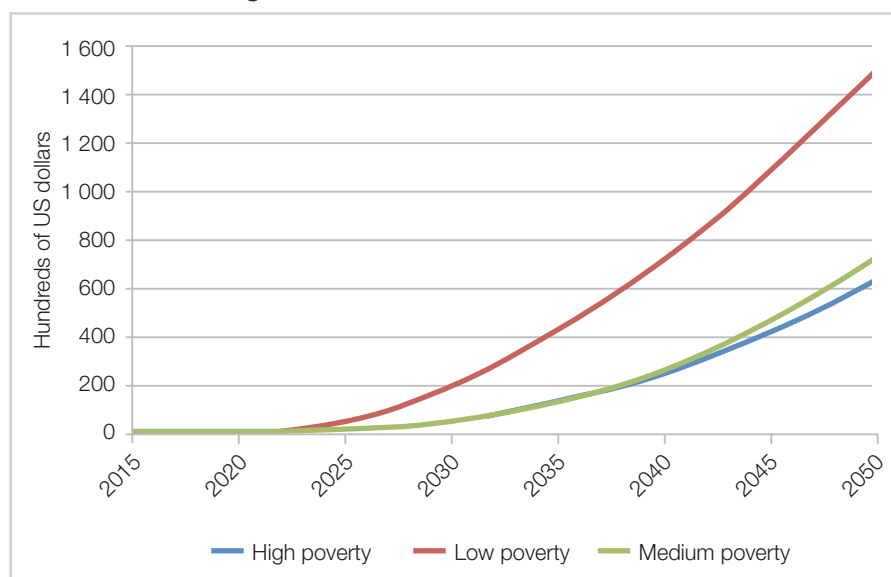
Apart from a considerable reduction in poverty, the Unlocking the Future scenario also creates significant improvements in other economic indicators. Figure 16 shows the improvement in GDP across the country groups. Although countries that currently have low levels of poverty see the biggest absolute gains in GDP, the relative gains of the high and medium poverty groups are very close (within one-half a percentage point).⁵⁷ In 2050, this forecast indicates that the high and medium poverty groups could have a combined GDP that is more than US\$1.1 trillion higher than in the Current Path forecast.

Figure 16: Increase in GDP above the Current Path by country group in the Unlocking the Future scenario



Source: International Futures version 7.24, initialised using World Bank data.

Figure 17: Change in GDP per capita (PPP) from the Current Path in the Unlocking the Future scenario



Source: International Futures version 7.24, initialised using World Bank data.

IN 2050, HIGH AND MEDIUM POVERTY GROUPS COULD HAVE A COMBINED GDP THAT IS

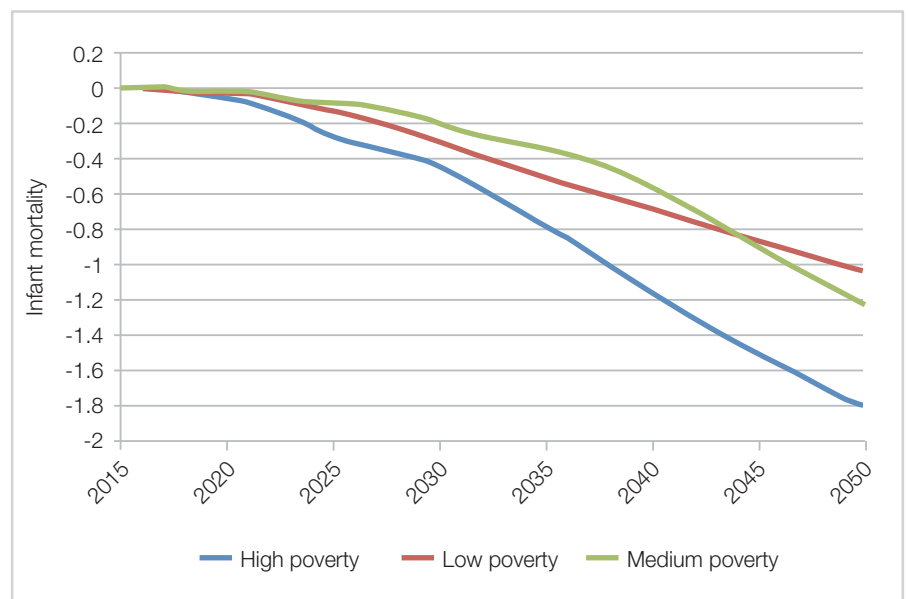
> US\$1.1 trillion

HIGHER IN THE UNLOCKING THE FUTURE SCENARIO THAN IN THE CURRENT PATH SCENARIO

On an individual level, the Unlocking the Future scenario also creates significant gains in GDP per capita (PPP). Here, again, the gains in low poverty countries are significantly higher than in the medium and high poverty groups. However, the rise in GDP per capita in the low (US\$646) and medium (US\$738) poverty groups represents improvements above the Current Path of 11 and 12 percent, respectively, by 2050.

Economic gains, as was argued in an earlier section, are a necessary but insufficient condition for poverty reduction. Figure 18 shows another benefit to human development created by the Unlocking the Future scenario: lower infant mortality. Under Unlocking the Future infant mortality in Africa is reduced by nearly 2 deaths per thousand live births in 2050. Unlike the gains in GDP and GDP per capita however, the high and medium poverty country groups harness the majority of improvement. This is significant because in 2015 the high and medium poverty groups had infant mortality rates that were about double those of the low poverty group – 67 deaths per thousand live births in the high poverty group and 55 deaths per thousand live births in the medium, compared to 32 deaths per thousand live births in the low poverty group.

Figure 18: Change in infant mortality from the Current Path in the Unlocking the Future scenario



Source: International Futures version 7.24, initialised using World Bank data.



INFANT MORTALITY IN AFRICA IS REDUCED BY NEARLY 2 DEATHS PER THOUSAND LIVE BIRTHS IN 2050 UNDER THE UNLOCKING THE FUTURE SCENARIO

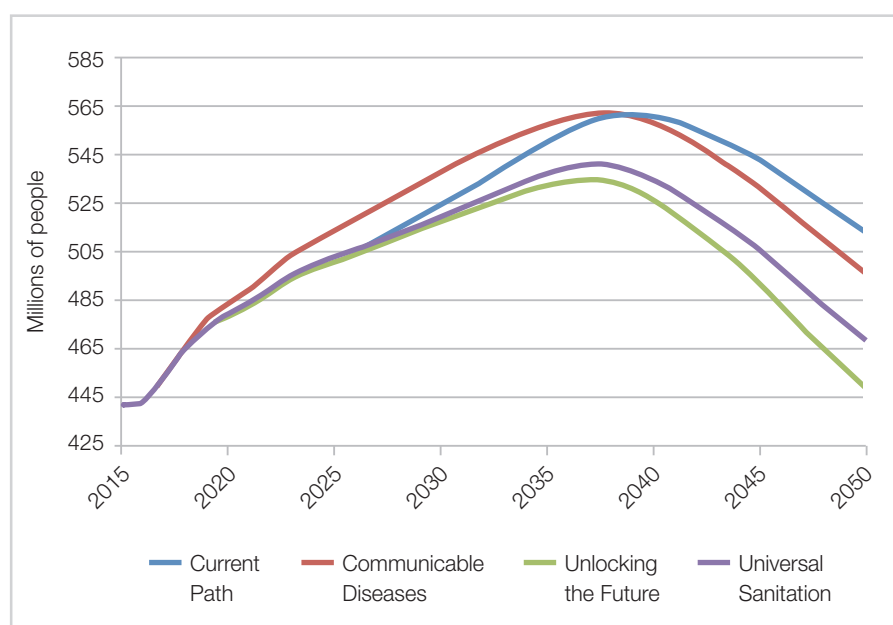
Comparison with other SDGs

To illustrate the potential of SDG 16.6 to accelerate poverty reduction, or achieve SDG 1.1 in Africa, the effects improving governance are measured against two interventions with strong linkages to poverty: health and sanitation. The scenarios for these two interventions are taken from two previous AFP papers.⁵⁸ Because Africa has low levels of access to improved sanitation and suffers from a disproportionately high burden of communicable

diseases relative to other developing regions, these interventions have potentially powerful effects on poverty reduction.

In this section of the paper we compare the effects on poverty reduction from the Unlocking the Future scenario with a scenario that models the elimination of certain communicable diseases in Africa by 2030 (SDG 3.3) and another scenario that models a future where Africa achieves near universal access to improved sanitation facilities (SDG 6.2) by 2030.⁵⁹ The results from this comparison are presented in Figure 19, which shows poverty reduction under the three scenarios and the Current Path.

Figure 19: Number of people living in extreme poverty in Africa in the different scenarios and the Current Path



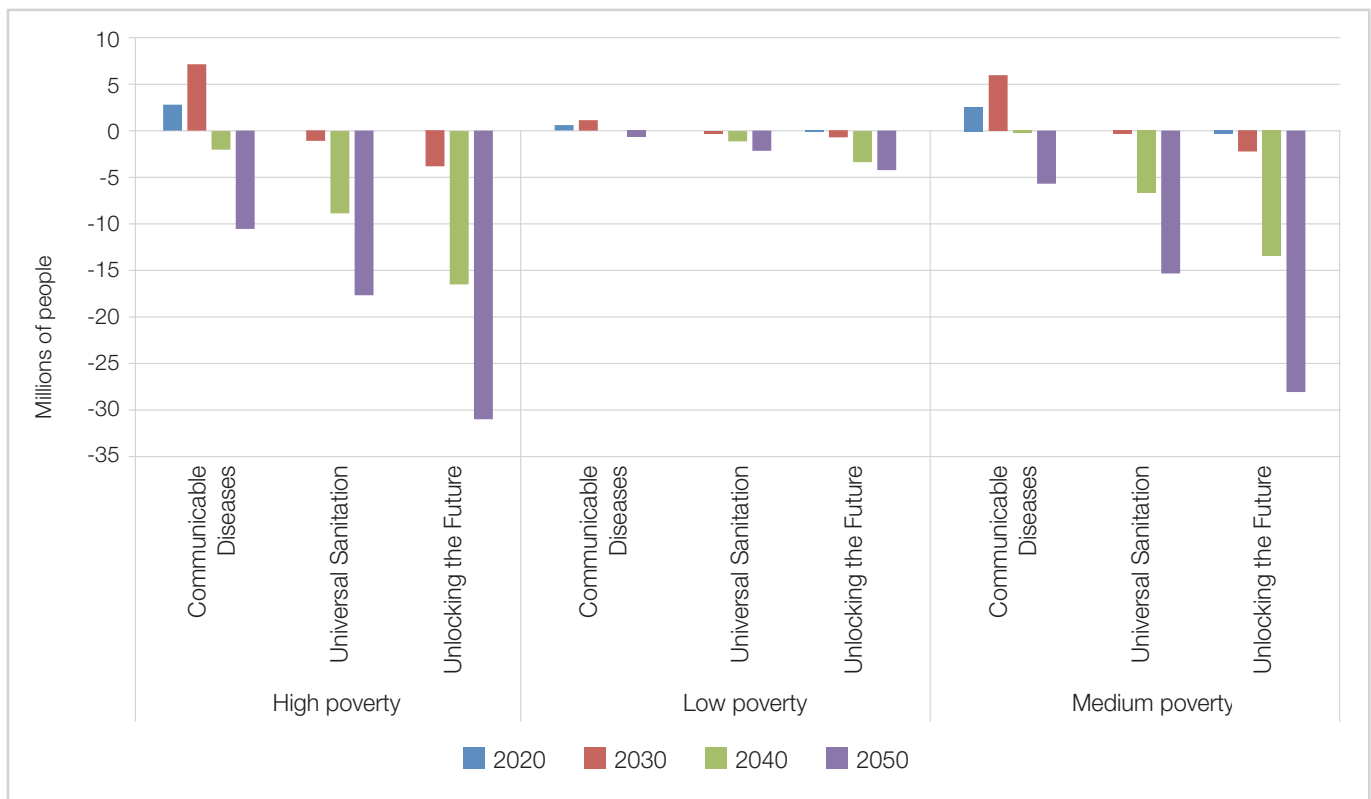
Source: International Futures version 7.24, initialised using World Bank data.

More people are lifted out of poverty by improving governance than by eliminating communicable diseases and providing universal sanitation combined

Providing universal sanitation reduces the number of people living in extreme poverty by roughly 36 million people, and eliminating communicable diseases reduces the number of people living in that condition by 16 million, relative to the Current Path by 2050. While impressive, the gains from Communicable Diseases and Universal Sanitation are far surpassed by the poverty reduction achieved in the SDG 16.6 or Unlocking the Future scenario. In fact, more people are lifted out of poverty by improving governance than by eliminating communicable diseases and providing universal sanitation *combined*.⁶⁰ These results hold across the country groups as well, with Unlocking the Future outperforming the Communicable Diseases and Improved Sanitation

PROVIDING UNIVERSAL SANITATION REDUCES THE NUMBER OF PEOPLE LIVING IN EXTREME POVERTY BY **±36 million people** RELATIVE TO THE CURRENT PATH SCENARIO BY 2050

Figure 20: Difference in extreme poverty from the Current Path by country group in each scenario and in different years



Source: International Futures version 7.24, initialised using World Bank data.

scenarios in each of the high, medium and low poverty groups as seen in Figure 20 above.

Assumptions and Limitations

A limitation of this paper is that it does not provide specific recommendations on how countries can improve governance but rather highlights why focusing on SDG 16.6 is an effective poverty reduction strategy. One reason for this is that every country develops in its own unique context. Countries' development paths depend on a complex mixture of leadership style, natural resource profile, colonial legacy and myriad other factors that are beyond the scope of this paper. Moreover, the particular development strategies of one country cannot be imposed or transferred to others, a point neatly summarised by Douglass North: 'economies that adopt the formal rules of another economy will have very different performance characteristics than the first economy because of different informal norms and enforcement'.⁶¹ Furthermore, Peter Evans argues that emerging African developmental states such as Botswana have a different model to the Asian countries they are all too often compared to – one that is based on a wider coalition of social groups and civil society.⁶²

Another potential limitation of this paper is that it only looks at effectiveness. Effective governance is only one sub-component of one of the 3 pillars of



COUNTRIES' DEVELOPMENT PATHS DEPEND ON A COMPLEX MIXTURE OF FACTORS

governance: security, capacity and inclusion and only one of the 3 elements of governance captured in SDG target 16.6: effective, accountable and transparent. Figure 7 demonstrated Africa's particularly weak scores in effectiveness compared to security and inclusion and relative to other developing world regions. However, this is not to ignore the considerable deficits in the areas of security and inclusion evident in many states across Africa. Nor is the goal of this paper to argue in favour of so-called development states, typically characterised by relatively high levels of governance effectiveness. This research is solely meant to demonstrate the need for, and impact on poverty, of more effective governance in Africa.⁶³

Conclusion

One of the major criticisms of the SDGs is that they do not take countries' baselines into account. This paper attempts to control for this limitation by using country groups based on poverty levels and an intervention based on prevailing levels of government effectiveness in 2015. Grouping countries in this way reveals that under the Unlocking the Future scenario, countries with less than 25% of their populations in poverty (low poverty countries) saw largest relative gains in GDP when compared to the Current Path. However, the countries with more than 50% of their populations in poverty (high poverty countries) saw the most significant reduction in poverty (more than 30 million fewer people in 2050) along with the steepest decline in infant mortality.

SDG 16 is often criticised for lacking hard targets. However, this is arguably a strength with respect to target 16.6 (effective, accountable and transparent institutions) because it represents a tacit recognition of the diversity of levels of development across countries. This diversity in governance effectiveness has particular relevance in Africa where donor relations, armed conflict, disproportionate levels of extreme poverty and communicable disease serve as some of the obstacles to state consolidation. That said, Africa is not the only world region where effective governance is a challenge. Even developed states must remain flexible and adapt to changing global conditions to build on progress in security, capacity and inclusion, or according to SDG 16.6: effectiveness, accountability, and transparency.

This paper shows that improving governance has a profound effect on one of the continent's gravest

challenges: extreme poverty. However, improving governance and pursuing other SDGs are not mutually exclusive. For example, even limited improvements to civil registration systems or national statistical offices could have profound effects on the ability of states to tailor policies to achieve other SDGs. In order to set realistic targets, it is essential to understand, as fully as possible, where countries are beginning from, or, as stated by the UNDP MDG review 2015: "only by counting the uncounted can we reach the unreached".⁶⁴

One area of potentially fruitful future research would be to investigate interactions between SDGs, namely the synergies and trade-offs inherent within and across them.

One area for exploration might be to investigate the cross-sector benefits from achieving particular goals. Possible questions that might be asked are, what are the implications of ensuring food security for developing regions on the food, water energy nexus? Because agricultural production must contend with energy production (and human consumption) for scarce resources like water, there are competing priorities inherent in any policy that aims to advance development in any one of those three areas.⁶⁵ Exploring the trade-offs between those choices will help countries create policies suited to their unique development context.

Even developed states must remain flexible and adapt to changing global conditions to build on progress

This research highlights the importance of effective governance, and the powerful effects of improving governance on poverty reduction in Africa. By enhancing the level of governance effectiveness, African countries can expect more poverty reduction than from either eliminating communicable diseases or providing universal access to improved sanitation. A modest improvement in governance effectiveness could lift more than 60 million people out of poverty in Africa. It also creates significant gains in GDP and reductions in infant mortality. This research demonstrates the power of effective governance to catalyse poverty reduction and underscores the need for African states to focus on building 'effective, accountable and transparent institutions at all levels'.⁶⁶

Appendix 1: World Bank Regional Groups

Group	Countries
East Asia and Pacific	Australia, Brunei, Cambodia, China, Fiji, Hong Kong, Indonesia, Japan, North Korea, South Korea, Laos, Malaysia, Mongolia, Myanmar, New Zealand, Papua New Guinea, Philippines, Samoa, Singapore, Taiwan, Thailand, Timor-Leste, Tonga, Vanuatu, Vietnam
Europe and Central Asia	Albania, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Italy, Kazakhstan, Kosovo, Kyrgyzstan, Latvia, Lithuania, Luxembourg, Macedonia, Moldova, Montenegro, Netherlands, Norway, Poland, Portugal, Romania, Russia, Serbia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Tajikistan, Turkey, Turkmenistan, Ukraine, United Kingdom, Uzbekistan
Latin America and the Caribbean	Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Uruguay, Venezuela
Middle East and North Africa	Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Malta, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, Yemen
North America	Canada, United States
South Asia	Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka
Sub-Saharan Africa	Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cabo Verde, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Republic of Congo, Côte d'Ivoire, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé and Príncipe, Senegal, Sierra Leone, Somalia, South Africa, Sudan, South Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia, Zimbabwe

Appendix 2: Poverty groups created for this paper

High poverty (more than 50% of population)	Medium poverty (between 25-50% of population)	Low poverty (less than 25% of population)
Benin	Angola	Algeria
Burkina Faso	Cameroon	Botswana
Burundi	Republic of the Congo	Cabo Verde
Central African Republic	Cote d'Ivoire	Comoros
Democratic Republic of the Congo	Eritrea	Djibouti
Guinea Bissau	Ethiopia	Egypt
Lesotho	Gambia	Equatorial Guinea
Liberia	Guinea	Gabon
Madagascar	Kenya	Ghana
Malawi	Mali	Libya
Mozambique	Niger	Mauritania
Nigeria	São Tomé and Príncipe	Mauritius
Rwanda	Senegal	Morocco

High poverty (more than 50% of population)	Medium poverty (between 25-50% of population)	Low poverty (less than 25% of population)
Sierra Leone	South Sudan	Namibia
Somalia	Swaziland	Seychelles
Togo	Tanzania	South Africa
Zambia	Uganda	Sudan
	Zimbabwe	Tunisia

Appendix 3: Data sources used in the World Governance Indicators

	Source	Country coverage
1	African Development Bank	53
2	Afrobarometer Survey	19
3	Asian Development Bank	29
4	Business Enterprise Environment Survey	27
5	Bertelsmann Transformative Index	125
6	Freedom House Countries at the Crossroads	62
7	Global Insight Global Risk Service	144
8	European Bank for Reconstruction and Development Transition	29
9	Economist Intelligence Unit Riskwire and Democracy Index	181
10	Freedom House	197
11	Transparency International Global Corruption Barometer	80
12	World Economic Forum Global Competitiveness Report	134
13	Global Integrity Index	79
14	Gallup World Poll Survey	130
15	Heritage Foundation Index of Economic Freedom	179
16	Cingranelli Richards Human Rights Database and Political terror scale	192
17	IFAD Rural Sector Performance Assessments	90
18	iJET Country Security Risk Ratings	185
19	Institutional Profiles Database	85
20	IREEP African Electoral Index	53
21	Latinobarometro Survey	18
22	International Research and Exchanges Board Media Sustainability Index	76
23	International budget project open budget index	85
24	World Bank country policy and institutional assessments	142
25	Political economic risk consultancy corruption in Asia survey	15
26	Political risk services international	140
27	Reporters without borders Press Freedom Index	170
28	US State Department Trafficking in People report	153
29	Vanderbilt University Americas Barometer Survey	23
30	Institute for Management and Development World Competitiveness Yearbook	55
31	Globalinsight Business Conditions and Risk Indicators	203

Notes

The authors are listed in alphabetical order and both contributed equally to this article. The authors would like to thank the AFP series editors Jakkie Cilliers and Steve Hedden, along with Mouctar Diallo, and Kanishka Narayan who provided valuable input, feedback and support throughout.

- 1 United Nations, Transforming our World: The Agenda for Sustainable Development, <http://www.unfpa.org/resources/transforming-our-world-2030-agenda-sustainable-development>.
- 2 United Nations. Sustainable Development Knowledge Platform, www.sustainabledevelopment.un.org/post2015/transformingourworld.
- 3 Ibid., www.sustainabledevelopment.un.org/sdg1.
- 4 Ibid., www.sustainabledevelopment.un.org/sdg16.
- 5 Ibid., www.sustainabledevelopment.un.org/sdg16.
- 6 Ibid.
- 7 A Smith, *An Inquiry into the Nature and Causes of The Wealth of Nations*, 1776, Book V, Chapter III, 387.
- 8 W Easterly, J Ritzen and M Wollcock, Social Cohesion, Institutions, and Growth, *Economics and Politics*, 2006, Vol. 18, No. 2; D Rodrik and A Subramanian, The Primacy of Institutions, *Finance and Development*, June 2003; D North, Economic performance through time, *American Economic Review*. 84: 3. 1994, 366.
- 9 The IFs tool is open-source and can be downloaded for free (www.pardee.du.edu).
- 10 World Bank, *World Development Report*, New York: Oxford University Press, 1980, 32.
- 11 The standard measure for poverty is the percentage of the population living on defined daily income level. The World Bank increased this figure from the universally used \$1.25 per day to \$1.90. However, because the base year currency changed from 2005 to 2011, the number of people living in poverty, as both a headcount and a proportion remains largely unchanged. See F Ferreira, The international poverty line has just been raised to \$1.90 a day, but global poverty is basically unchanged. How is that even possible?, *World Bank Blog*, 2015, <http://blogs.worldbank.org/developmenttalk/international-poverty-line-has-just-been-raised-190-day-global-poverty-basically-unchanged-how-even>.
- 12 While China's contribution to poverty reduction has been well documented, Indonesia and Vietnam also reduced extreme poverty significantly between 1990 and 2015, accounting for nearly 100 million fewer people living in poverty over that time span.
- 13 A Sen, *Inequality Reexamined*, 1991, New York; Cambridge, MA: Russell Sage Foundation; Harvard University Press.
- 14 See the UN System Task Team on the Post-2015 Un Development Agenda, 2012, Review of the contributions of the MDG Agenda to foster development" Lessons for the post- 2015 UN development agenda, http://www.un.org/millenniumgoals/pdf/mdg_assessment_Aug.pdf.
- 15 D Kaufmann, A Kraay and M Mastruzzi, The World Governance Indicators: Methodology and Analytical Issues, World Bank Policy Research Working Paper No. 5430, 2010.
- 16 B Hughes, D Joshi, J Moyer, T Sisk and J Solorzano, *Patterns of potential human progress: Strengthening governance globally*, Frederick S. Pardee Center for International Futures, University of Denver, Volume 5, 2014, 27.
- 17 M Kjaer, H Hansen, and JPF Thomsen, Conceptualising the State, and Administrative Reform Research Report, 2002, No. 6, Department of Political Science, University of Aarhus, Denmark, 7.
- 18 See R H Jackson and C G Rosberg, Why Africa's Weak States Persist: The empirical and the juridical in statehood, *World Politics*, 1982, 35(1): 1-24.
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- 20 B Hughes et al. 2014, 28.
- 21 The Corruption Perception Index is published by Transparency International, while the Government Revenue data comes from the IMF Global Financial Stability Report. North America has been excluded from these comparisons throughout, because it does not contain developing states.
- 22 L Routley, Developmental States in Africa? A Review of Ongoing Debates and Buzzwords, *Development Policy Review*, 2014, 32 (2): 159-177.
- 23 Ibid., 164
- 24 See the discussion on democratic developmental states in Africa in L Routley, Developmental States in Africa? A Review of Ongoing Debates and Buzzwords, *Development Policy Review*, 2014, 32 (2): 159-177.
- 25 G Hyden, Governance and Poverty Reduction in Africa, *Proceedings of the National Academy of Sciences of the United States of America*, Vol. 104, No. 43, 2007, 16751-16756, <http://www.jstor.org/stable/25450129>.
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- 28 1990 data from World Bank WDI: <http://data.worldbank.org/topic/poverty>; 2015 data is an IFs estimate.
- 29 United Nations Development Programme (UNDP), The Millennium Development Goals Report 2015, xiii.
- 30 World Bank blog, While Poverty in Africa Has Declined, Number of Poor Has Increased, March 2016: <http://www.worldbank.org/en/region/afr/publication/poverty-rising-africa-poverty-report>. Although there are similarities between the US\$1.25 pppd measure in constant 2005 dollars and the US\$1.90 measure in constant 2011 dollars, the overlap is not identical. This is why the official WB stats for the MDG period are different from the figures cited above from IFs. World Bank blog, While Poverty in Africa Has Declined, Number of Poor Has Increased, March 2016.
- 31 United Nations Economic Commission for Africa (UNECA), MDG Progress Report 2015: Assessing progress in Africa toward the Millennium Development Goals, 2015, 3.
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- 34 Ibid.
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- 36 United Nations Economic Commission for Africa (UNECA), MDG Progress Report 2015: Assessing progress in Africa toward the Millennium Development Goals, 2015, 3.
- 37 Ibid., 4.
- 38 R Marty, Reducing extreme poverty in the post-MDG era: Lessons from four emerging economies, 28 July 2015, <http://aiddata.org/blog/reducing-extreme-poverty-in-the-post-mdg-era-lessons-from-four-emerging-economies>.
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- 40 Hughes et al. 2014, 6.
- 41 Ibid., 6.
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- 43 Hughes et al. 2014, 13.

- 44 J Rousseau, *Discourse on Inequality*, 1754.
- 45 Hughes et al. 2014, 8.
- 46 United Nations, Sustainable Development Knowledge Platform, www.sustainabledevelopment.un.org/post2015/transformingourworld.
- 47 The IFs-generated security index combines a measure for intrastate armed conflict from the Political Instability Task Force; state fragility and vulnerability to state failure according to the Center for Systemic Peace; capacity with data on tax collection from the Organisation of Economic Cooperation and Development (OECD) and the World Bank's World Development Indicators (WDI) project and effective use of revenues with the Transparency International; and inclusion using measures for regime type from the Polity data project), political freedom from Freedom House international and gender empowerment from the UNDP. See Hughes et al. 2014, 40.
- 48 United Nations. Sustainable Development Knowledge Platform, www.sustainabledevelopment.un.org/post2015/transformingourworld.
- 49 D Kaufmann, et al., 2010, 4.
- 50 Ibid.
- 51 Ibid.
- 52 R Chambers provides a succinct summary of the major criticism of survey questionnaires in developing regions: "The reasons include the difficulties, often unforeseen or underestimated at the time of the baseline, of quality control, of ensuring comparability in subsequent surveys, of assessing the counterfactual (what would have happened without the project), of finding comparable control areas, and of disentangling and weighing multiple causality." R Chambers, Participatory Rural Appraisal (PRA): Challenges, Potentials and Paradigm, World Development, Volume 22, No. 10. 1994, 1437-1454, 1443 and R Chambers, Rural Poverty Oriented Monitoring and Evaluation: Simple is Optimal? (Rome: FAO, 1978).
- 53 Mauritius was excluded because it is generally seen as an outlier in sub-Saharan Africa. The next top performers (in order) were Seychelles, South Africa, Botswana, Namibia and Rwanda.
- 54 The reason for the change in levels of improvement is caused by the way IFs operationalises parameters in the model. The intervention was imposed on Africa as a whole, and increased the level of effectiveness by 40% relative to the 2016 value. Because 40% of a relatively larger base will result in a relatively larger increase, countries with high levels of governance effectiveness saw larger gains. However, the percentage increase is the same across countries.
- 55 Governance effectiveness was adjusted to bring the continental average to the average of some of the highest performing countries. This meant increasing the parameter by approximately 40%. However, because better performing countries start from a higher baseline, those countries' scores were increased by more than those in the lowest scoring countries. For example, because Seychelles starts at 2.92, it increases by 1.54, while Chad begins at 1.04 so a 40% increase is only .75.
- 56 The authors recognise that small island states have certain characteristics that may make them inherently easier to govern with respect to continental African countries; such as small populations, a relatively homogenous society, high levels of tourism and FDI and relative isolation from spillovers relating to armed conflict.
- 57 According to IFs, the relative GDP increase is 15.8 percentage points for the high poverty group, against 16.3 percentage points for the low poverty and 16.2 percentage points for the medium poverty groups.
- 58 K Narayan and Z Donnerfeld, Envisioning a healthy future: Africa's shifting burden of disease, ISS African Futures Paper No. 18, 2016, A Markle and Z Donnerfeld, Refreshing Africa's future: prospects for achieving universal WASH access by 2030, ISS African Futures Paper No. 17, 2016.
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- 60 This combined total is the sum of the two distinct interventions and does not represent the effects of eliminating communicable diseases and providing universal sanitation. In other words, if those two scenarios were combined, the total would likely be greater than the sum of its parts.
- 61 D North, *Economic performance through time*, American Economic Review, 84: 3. 1994, 366.
- 62 P Evans, The Challenge of 21st Century Development: Building capability-enhancing the state, 2010, New York: United Nations Development Programme.
- 63 The authors realise that using survey based data on governance effectiveness has the potential to create a semi-circular argument. Because a core component of the WGI measures is public perception, changes in those scores – even in a forecast – could represent a prior improvement in service delivery and reduction of poverty. This relationship between poverty and governance effectiveness is not explicit in the IFs model (i.e. levels of poverty do not drive governance effectiveness) but it is possible that the survey data itself cuts across these two dimensions. However, the WGI blends public perception data on governance with expert analysis and the underlying purpose of this research is to demonstrate a) the high levels of poverty and low levels of governance effectiveness in Africa and b) to explore the potential impact on poverty reduction of a modest improvement in governance in Africa.
- 64 UNDP, 2015, 11.
- 65 M Nilsson, D Griggs, M Visbeck and C Ringler, A draft framework for SDG interactions, International Council of Sciences (ICSU), 2016, <http://www.icsu.org/publications/reports-and-reviews/working-paper-framework-for-understanding-sdg-interactions-2016/SDG-interactions-working-paper.pdf>.
- 66 United Nations, Sustainable Development Knowledge Platform, www.sustainabledevelopment.un.org/post2015/transformingourworld.

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About the African Futures Project

The African Futures Project is a collaboration between the Institute for Security Studies (ISS) and the Frederick S. Pardee Center for International Futures at the Josef Korbel School of International Studies, University of Denver. The African Futures Project uses the International Futures (IFs) model to produce forward-looking, policy-relevant analysis based on exploration of possible trajectories for human development, economic growth and socio-political change in Africa under varying policy environments over the next four decades.

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Acknowledgements



**Hanns
Seidel
Foundation**

This paper was made possible with support from the Hanns Seidel Foundation. The Institute for Security Studies is also grateful for support from the other members of the ISS Partnership Forum: the governments of Australia, Canada, Denmark, Finland, Japan, the Netherlands, Norway, Sweden and the USA.

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