Governance, Growth and Development in Selected West African Countries: A Reconsideration of the Evidence[1]

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Abstract

In the last fifteen years, most countries in the West African sub-region have experimented democratic governance (representative democracy); elections have been held more than once, for example, in Ghana, Senegal, Nigeria, Cote D'Ivoire, Togo, Benin, The Gambia, Liberia and Sierra Leone with marginal violence. The growth rates of about 7.0% and the macroeconomic stability have been attributed to the practice of democratic governance in the countries. The preliminary regression results showed that democracy, inflation and public sector investment are positively related to the growth of per capita income. But the dearth of data prevented a more rigorous testing of the stated hypotheses.

Keywords: Governance, growth, West Africa

JEL Classification: H11, 011

1. Introduction

Governance, whether good or bad, drives economic growth and development. It is generally accepted that all forms of growth are a necessary but insufficient condition for development. Thus, governance may enhance growth but not development. In the 1960s, many African countries experienced impressive growth rates and inclusive development with the governance in place. However, the fact that there exist in the literature ideas that good governance promotes growth does not mean that bad governance does not promote growth. It depends on who defines good governance and what the definition stands for. Indeed, it has become commonplace in recent times to ascribe the practice of re presentative governance and/or Western-style democracy to good governance. Hence, the holding of election every four or five years to elect representatives of the people,

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the right to vote and be voted for, respect for human rights, among others, are often equated with good governance. Good governance is also seen as being part of ensuring the efficiency of markets, promoting competition and minimizing the role of the state. These issues still remain controversial in the literature.

Countries in the West African sub -region[3] have had their own share of different types of governance and their implications on growth and development. In the early 1960s, Ghana, Nigeria, Cote d'Ivoire and Senegal had elected parliaments with strong leadership. During the period, growth rates were generally impressive and there was the political will to progress towards the attainment of political independence. For example, the then President of Ghana, Kwame Nkrumah, initiated and completed several development projects to confirm that he was not only ahead of his time but was also one of the few visionary Africans of that time. A few years after independence, however, there were military coups in many of the countries in the sub-region— Cote d'Ivoire and Senegal were exceptions. Hence, military dictatorship became the order of the day in most of the countries. The military pundits were not benevolent; but they looted the treasuries of their various countries while running the economies with discretion rather than with rules.

Most of the countries in the sub-region had growth rates far less than the population growth rates; some experienced stagnation and negative growth rates from the middle of 1970s to the early 1980s. The introduction of structural adjustment programmes (SAPs) did not reverse the declining and non-satisfactory performance of most of the economies of the sub-region. The point being made here is that in spite of the complexities of governance, major economic reforms, such as SAPs, were formulated and implemented. From the 1960s to the present, there had been civil wars or other forms of internal conflicts in Nigeria, Sierra Leone and Liberia, while Cote d'Ivoire experienced a bitter post-election conflict. There had also been several military coups and counter coups in Guinea Bissau, Burkina Faso and Mali.

However, in the last ten to fifteen years, most of the countries in the West African sub-region have and are implementing democratic governance (representative democracy), with elections being held more than once in Ghana, Senegal, Nigeria, Togo, Benin, The Gambia, Cote d'Ivoire, Liberia, and Sierra Leone, among others, with minimal violence. Most of these elections were adjudged by international and national observers to be free and fair. Is it right,

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[3] The Economic Community of West African States (ECOWAS) comprises Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, The Gambia, Ghana, Guinea , Guinea Bissau, Liberia, Mali, Niger, Senegal, Sierra Leone and Togo.

therefore, to attribute the satisfactory growth rate and macroeconomic stability in the sub-region to the practice of democratic governance in the region? This paper, therefore, attempts to ascertain empirically the relationship that democratic governance has with economic growth and development of selected West African countries, as well as examine the impact of democratic governance on the standard of living of their citizens. The paper also attempts to examine the status of education, health and employment during democratic governance in the selected countries.

The paper is organized as follows: section 2 briefly discusses the styled facts, while section 3 presents the literature review, concepts and methodology. The empirical analysis is provided in section 4 , while section 5 is the conclusion. It is expected that the outcome of the paper would assist policymakers and other stakeholders in making informed decisions on how to enhance economic development through democratic governance.

2. Governance and Development: Stylized facts

It is generally agreed that governance is one of the crucial factors determining the growth prospects of all economies. In other words, governance is growth - enhancing. The data in table 1 summarized the growth of output in selected West African countries for the period 2000 - 2011. The table showed that during the period 2000 - 2005, Sierra Leone registered the highest growth rate of 12.1%; and this was followed by Cape Verde and Nigeria, with 5.8% and 5.3% respectively. However, Guinea Bissau had a negative growth rate of 1.3% in the 2000 - 2005 period. It is noteworthy that during the period of the global economic downturn (that is, between 2007 and 2011), all the countries had, on the average, impressive growth rates—except for Niger and Cote d'Ivoire, which had growth rates of -4.7% (in 2011) and -0.9% (in 2009) respectively. Moreover, at the height of the global economic crisis in 2007, Ghana showed an output growth rate of 6.1%, while The Gambia and Liberia had 6.3 and 9.5% respectively. These growth rates were driven by mineral and commodity exports.

The data in table 2 showed that, using the rate of inflation as a proxy, all the countries selected experienced macroeconomic stability. In 2005, Ghana, Guinea, Nigeria and Sierra Leone registered double-digit rates of inflation, while the rest had single-digit rates. At the peak of the global economic crisis (2007-2008), these four countries, except Nigeria, continued to have double-digit inflation. However, except for Guinea, the rates of inflation in these countries were within their inflation threshold (WAMI, 2011).

Table: 1 Growth of output in selected West African countries, 2000 – 2011 (%)

Country	*2000-2005 Average*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*
Cape Verde	5.75	10.8	7.8	5.9	4.1	7.1	5.0
The Gambia	4.60	6.5	6.3	5.9	4.6	6.1	3.3
Ghana	4.80	6.4	6.1	7.2	3.5	6.4	13.6
Guinea	2.90	2.5	1.8	4.0	0.3	2.4	3.6
Liberia	-	7.8	9.5	7.1	4.6	6.8	6.4
Nigeria	5.30	6.1	6.4	5.3	5.6	6.4	7.2
Sierra Leone	12.10	7.4	6.4	5,5	4.0	6.0	5.3
Benin	-	3.6	4.6	5.0	2.7	3.8	3.1
Burkina Faso	4.90	5.5	3.6	5.0	3.2	5.2	5.6
Cote d'Ivoire	5.12	0.7	1.6	2.3	3.7	2.4	-4.7
Guinea Bissau	-1.25	0.6	2.7	3.3	3.0	2.6	5.3
Mali	1.30	5.3	4.3	5.0	4.5	5.0	2.7
Niger	4.76	5.8	3.3	9.5	-0.9	4.9	2.3
Senegal	3.20	2.4	4.7	2.5	1.5	3.6	2.6
Togo	4.61	3.9	1.9	1.0	2.5	4.1	6.8

Source: West African Institute for Financial and Economic Management (WAIFEM): Annual Report and Statement of Account, Various Issues.

Table 2: Rates of inflation in selected West African countries, 2005-2011 (%)

Country	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*
Cape Verde	0.4	4.8	4.4	6.8	1.2	2.1	4.5
The Gambia	5.0	2.1	5.4	4.5	4.6	5.0	4.8
Ghana	15.1	10.2	10.7	16.5	19.3	10.7	8.7
Guinea	31.4	34.7	22.9	18.4	4.7	15.5	21.5
Liberia	6.9	7.2	13.7	17.5	7.4	7.3	8.5
Nigeria	17.9	8.2	5.4	11.6	12.4	13.7	10.8
Sierra Leone	12.0	9.5	11.8	14.8	9.2	17.8	18.5
Benin	5.4	3.8	1.3	8.0	2.2	2.1	2.7
Burkina Faso	6.4	2.4	-0.2	10.7	2.6	-0.6	2.7
Cote d'Ivoire	3.9	2.6	1.9	6.3	1.0	1.4	1.9
Guinea Bissau	5.6	-0.1	4.6	10.4	-1.7	1.1	5.0
Mali	6.4	1.5	9.1	11.3	2.2	1.3	3.1
Niger	7.8	0.1	0.1	11.3	4.3	0.9	2.9
Senegal	1.7	2.1	5.9	5.8	-1.1	1.2	3.4
Togo	6.8	2.2	1.0	8.7	2.0	3.2	3.6

Source: West African Institute for Financial and Economic Management (WAIFEM): Annual Report and Statement of Account, Various Issues.

It is possible that both the growth in output and the acceptable rates of inflation were due to efforts by the different countries in macroeconomic management. Beginning in 1999 , with the promulgation of the Fiscal Responsibility Acts and the Procurement Acts, for example, Nigerian policymakers began to rely more on rules than discretion with regard to macroeconomic management. Indeed, all the selected countries passed some forms of procurement acts to ensure the proper management of contracts, as well as ensure that their debit profile were within the acceptable thresholds of key indicators (Ekpo and Omoruyi, 2013; Ekpo, 2012). Nonetheless, rigidities in these economies remained a challenge.

On the global governance scene, most countries that caught up economically with the developed countries either delayed democratization or kept the same ruling party during the period of growth. Taiwan, South Korea, Singapore, Chile before the late 1980s and China, and until recently followed the first strategy, while Japan, Germany and Italy, after World War II, were examples of the second approach (Polterovich and Popov, 2007). The selected West African countries began to experiment Western type democracy (governance structure) on a relatively continuous basis in the last 12 years; within that context, most of the ruling parties, except in Ghana and Senegal, remained in power over that period.

Corruption indices often provide some measures of government effectiveness, which is a proxy for good governance. Table 3 shows that, except for Cape Verde, all the selected countries scored very low in the corruption perception index (CPI), as measured by Transparency International. A comparison with data from Botswana showed that the West African countries had corruption and rent-seeking as challenges. It could be inferred, therefore, that if corruption is reduced to the barest minimum, the growth trajectories of these countries would increase.

Table 3: Corruption indices for s elected West African countries and Botswana

Country	*Rank**		*Score***	
	2001	*2013*	*2012*	*2013*
Cape Verde	-	41	60	58
Ghana	59	63	45	46
Liberia	-	83	36	38
Benin	-	94	36	36
Togo	-	123	30	29
Mali	-	127	34	28
Cote d'Ivoire	77	136	29	27
Nigeria	96	144	27	25
Guinea	-	150	24	24
Sierra Leone	-	119	33	30
The Gambia	-	127	34	28
Botswana	-	30	65	64

Source: Transparency International: Corruption Perception Index.
*Ranking is out of 177 countries for 2001 – 2013
**Scores (0 = highly corrupt, 100 = very clean)

While there are several drivers of growth in the sub-region, information regarding public spending on education as a ratio of government expenditure and life expectancy is shown in table 4. The information showed that none of the selected countries met the United Nations' threshold on public spending on education— The Gambia, Ghana and Togo were, however, closer to the threshold of 26.0%. Despite the importance of information on the quality of public education, it was captured in the available data. However, there was improvement in the data on life expectancy of the selected countries, when the 1990 set of data are compared with those of 2009-10. In all the countries, except Ghana, life expectancy was below 60 years of age—which was still quite low. The data indirectly showed the unsatisfactory healthcare delivery systems and other welfare provisions in the sub-region.

Table 4: Drivers of growth in selected West African countries (%)

Country	*Public spending on education (% of growth expenditure)*	*Life expectancy*	
	2001 – 10	1990	2009 – 10
Cape Verde	14.4	-	-
Cote d'Ivoire	20.8	50.2	54.7
The Gambia	22.8	55.2	58.2
Ghana	24.4	58.4	63.8
Guinea	-	48.1	53.6
Liberia	-	46.0	56.1
Nigeria	17.0	46.3	51.4
Senegal	-	55.7	59.0
Sierra Leone	-	39.7	47.4
Togo	23.2	54.8	56.6

3. Review of Literature, Concepts and Methodology

Due to the belief that liberalization would resolve such governance issues as rent seeking, rule of law and corruption, reforming the state became an essential aspect of the structural adjustment programmes of the 1980s (Krueger, 1974; Bates, 2001). But the results of these programmes were generally very poor, as recessions followed in many African countries and growth was poor. According to Harriss-White (1996):

> More worrying was that despite significant liberalization and cutbacks in subsidies, together with privatization programmes in developing countries, there was little apparent reduction in rent seeking anywhere. In almost every country where liberalization was carried out, there appeared to be an increase in corruption and rent seeking.

The perspective of growth-enhancing governance is well discussed in Khan (2006). The series of papers examining good governance as growth -enhancing and/or market-promoting are extant in the literature. Consequently, it is important to begin to see good governance as being a necessity for maintaining efficient markets while restricting the activities of states to the provision of public goods in order to minimize rent seeking and government failure.

Democracy, a very old system of government linked to good governance, is broadly defined as popular participation. The concept of democracy was practiced in the West African sub-region before the advent of colonial rule. However, the concept practiced in the sub-region was quite different from its Western counterpart, which itself evolved over time. Today, good governance is associated with representative democracy as obtained in Europe and North America. Hence, democracy is seen to have such foundations as the parliamentary system of Britain, the presidential system of the USA and the local council system of Scandinavian countries. There are also institutions and processes readily identified with modern representative democracy, such as elections, political parties, separation of powers, and representative bodies.

According to Cheema and Maguise (2006): 'when most people hear the word *governance,* they think of government,' perhaps because both have 'govern' as root. But governance is more than just government. It is a complex and, yet, universal force that exists in all societies. The authors thus explained that:

> Governance is a neutral concept comprising the complex mechanisms, processes, relationships, and institutions through which citizens and groups articulate their interests, exercise their rights and obligations and mediate their differences. It addresses the allocation and management of resources to respond to collective problems; it is characterised by the principles of participation, transparency, accountability, rule of law, effectiveness, equity and strategic vision.

In reality, the practice of the principles outlined above remains a big challenge, partly because the state that is supposed to implement them may not represent the generality of the populace. The state may be the group in power and, consequently, the views of a dominant group, which may ensure, for example, that elections are not free and fair, or that acts of corruption are justifiable and/or condoned (Ekpo, 2011). The following set of governance indicators have been developed by the World Bank (2007):

- Voice and accountability: to measure political, civil and human rights

- Political stability and absence of violence – capturing the likelihood of violent threats or changes in government, including terrorism;
- Government effectiveness– measuring the competence of bureaucracy and the quality of public service delivery;
- Regulatory quality– measuring incidences of unfriendly market policies;
- Rule of law, which helps capture the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence;
- Control of corruption – dealing with public power for private gain, including both petty and grand corruption.

An insightful examination of these indicators u sing data from developing and developed countries was done by Khan (2012:120-136). However, to be judged good in the way it works, government should:

- be based on the institutions that keep it responsive to the populace,
- be able to maintain the peace and implement its decisions,
- attempt to replicate only what it can efficiently and usefully regulate and do so in ways that are advantageous to the general population, and
- be subjected consistently to rules of justice and public interest rather than its availability for the benefit of any of those in power and authority.

But are these indicators applicable to countries of West Africa? Norman and Stiglitz (2012) argued that government in Africa would contribute to development opportunities if they are allowed to p lay active roles in promoting savings, education, technology and entrepreneurship, regulating banking and ensuring financial markets. In other words, to ensure good governance and development, a country must be prepared to implement the developmental state model with the dynamics of institutional and political dimensions, alongside market mechanisms.

We can use econometric techniques to analyze the relationship between growth, development, and the various forms of governance. The challenge is often the availability of data on a consistent basis for the fifteen West Africa countries for the period under study. However, based on the review of lit erature, the broad relationship is stated as:

$$Y = f(dem, RL, Xi) \quad (1)$$

Where:
Y = growth rate of GDP p er capita
RL = rule of law
dem = democratization

Xi = control variables, such as average population growth, share of investment in GDP

However, one of the shortcomings of the equation 1 is that the rule of law index is only available for recent years and for some countries. It is also possible to regress the rule of law on democratization, as well as the interaction between democratization and corruption, in which case, the following results:

$$RL = g(dem,\ dem.\ CPI,\ X_i) \qquad (2)$$

Where
CPI = Corruption perception index; *dem* and *CPI* are interactive variables

On the other hand, corruption could be viewed as a proxy for law and order:

$$CPI = v(y,\ dem.\ CPI,\ Xi) \qquad (3)$$

Let us consider some macroeconomic implications, such as the relationship between the size of government and democratization, as well as the rate of inflation. The institutional capacity of a state is determined by the efficiency of the government, measured as the provision of public goods per value of government spending and the share of revenues in GDP, thus:

$$Rev = g(y,\ dem,\ LD,\ Xi) \qquad (4)$$

Where
Rev = share of revenue in GDP
LD= level of democracy

Good governance (representative democracy) often contributes to inflation; periods before and after elections in the West African sub-region are characterized by huge spending on not just the election processes and their inherent bureaucracy, but also to 'entice' the electorate by suddenly engaging in sundry development projects. The relationship can be stated as:

$$P = f\,(dem,\ Ld,\ Xi) \qquad (5)$$

Where
P = inflation

In estimating the above relationships, even if the data challenges were resolved, the problems of thresholds for the interaction variables, as well as that of endogeneity need to be addressed.

4. Empirics of Governance and Development

For the period 1965-2011, with data for selected countries, the results of the estimated equations are:

$$Y = 0.146 + .057dem + 0.012P + .096Inv \quad (6)$$
$$(0.285)\ (4.370)^*\ (0.507)\ (1.712)^*$$

R^2 = . 80
adjusted R^2 = . 71
D.W. = 1.92
Inv = public investment in GDP
t scores are in parenthesis

$$Y = 1.134 + 0.002dem - 0.001P \quad (7)$$
$$(517.4)^*(.181)^*\ (-0.371)$$

R^2 = . 96
adjusted R^2 = . 95
*significance at 5.0%
**significance at 10.0%

Based on equations 6 and 7, democracy had a positive impact on development and was statistically significant. Both inflation and public sector investment were positively related to the growth of income per capita in equation 6. The fixed effects confirm ed that the selected countries, though developing, had different structures and challenges. The pooled panel results of equation 7 without public sector investment indicated that inflation was negatively related to the growth in per capita income, suggesting some evidence of macroeconomic instability. Moreover, the results of the fixed effects suggest ed that other factors may explain the relationship between growth of income per capita and inflation and democracy. Thus, economies with positive fixed effects (Benin, Cote d'Ivoire, Guinea, Sierra Leone and Togo) tended to grow with or without democracy. It is not surprising that countries with high corruption perception index have negative fixed effects. However, these results are preliminary and should be interpreted with caution. The other results are presented in the appendix.

5. Conclusion

This paper had examined governance and development in selected West African countries during the period 1965-2011; stylized facts show that the countries grew on the average by 5.5%, while the rates of inflation were within the acceptable thresholds. No country met the UN threshold of 26.0% expenditure on education as a percentage of GDP. However, life expectancy improved between 1990 and 2010 in all the countries. The preliminary panel results confirm ed that democracy, inflation and public sector investment were positively related to the growth in per capita income. When public sector investment was dropped, inflation became negatively related to the growth of per capita income, though not statistically significant. The mixed fixed effect results suggest ed that factors other than democracy—such as corruption, openness, and population growth, among others— may explain the growth of per capita income.

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Appendix

Dependent Variable: LogY
Method: Panel Least Squares
Date: 12/26/13 Time: 21:42
Sample: 1961 2011
Periods included: 51
Cross-sections included: 15
Total panel (unbalanced) observations

Variable	*Coefficient*	*Std. Error*	*t-Statistic*	*Prob*
C	11.13494	0.021520	517.4155	0.0000
DEM	0.001996	0.000915	2.181321	0.0297
INFL(P)	-0.000469	0.001265	-0.370539	0.7111

Effects specification

Cross-section fixed (dummy variables)

R-squared	0.962201	Mean dependent var	11.12705
Adjusted R-squared	0.960920	S.D. dependent var	1.895035
S.E. of regression	0.374624	Akaike info criterion	0.908359
Sum squared resid	66.24204	Schwarz criterion	1.054106
Log likelihood	-205.0939	Hannan-Quinn criter.	0.965604
F-statistic	750.9453	Durbin-Watson stat	0.326441
Prob(F-statistic)	0.000000		

Fixed	*Effect*
Benin	0.575574
Burkina Faso	0.587197
Cape Verde	-0.739779
Cote D'Ivoire	1.832065
The Gambia	-1.833816
Ghana	-4.515718
Guinea	2.409230
Guinea Bissau	1.291963
Liberia	-2.635964
Mali	0.119421
Niger	0.451268
Nigeria	-0.193490
Senegal	1.484940
Sierra Leone	2.632155
Togo	1.367272