GOVERNANCE, GROWTH AND ECONOMIC DEVELOPMENT IN WEST AFRICAN COUNTRIES

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ABSTRACT

Current and past efforts by African countries generally, and particularly the West African countries, towards addressing the significant prevalent challenges of growth and development by implementing governance reforms and improving the quality of governance are well documented. Yet, there is little empirical evidence linking the modest success in implementing governance reforms and improving the quality of governance to better inclusive economic growth and social development. This study empirically attempted to link posted improvement or otherwise in the quality of governance in the countries of West Africa to major development outcomes.

A synthesis of the 'Successful Society' theory, the (Cautionary) Governance for Growth theory and the Social Order theory was adopted. The synthesis is that developed countries offer the developing ones important lessons; good governance is required for the pursuit of economic growth, which is fundamental and a necessary condition for development; and that though African countries require interventions and reforms, any intervention and intended reform must be in conformity with prevailing beliefs in relation to economic, social and cultural systems in the respective countries. The empirical analyses conducted combined descriptive and regression analyses.

The results, by and large, show that improvement in governance is positively related to the economic growth/development of the countries; corroborate erstwhile studies that good governance

encourages economic growth/development and confirms theoretical expectations. The study therefore advises that further reforms and improvements in governance in all ramifications should be implemented. In other words, there is the need for each country to strengthen its institutions, create a more efficient and effective bureaucracy and a better investment climate, as well as improve the allocation of resources.

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1. Introduction

The quest for inclusive economic growth and sustainable development is fundamental and a constant objective of nation states. The objective of the development agenda is to put in place an economy whose routine function generates sustained growth of output that in turn helps to increase the population's well-being. This requires increasing the productivity of the factors of production as well as the environment for economic activities. Thus, it is believed that government can contribute to the growth and development objective mainly through the quality of governance and legitimacy of its institutions. Quality governance bolsters the effectiveness of policies as well as enhances policymaking altogether. Both theoretical and empirical literature have demonstrated that development and improved governance tend to go hand in hand.

Mekolo and Resta (2005) noted and underlined the success recorded by African countries in the aftermath of the implementation of governance programmes conditioned by the palpable development debacle that became pronounced since the 1990s. Notably too, the heads of states and governments of the member states of the Economic Community of West African States (ECOWAS) agreed to a protocol on democracy and good governance on the 21st of December 2001 in Dakar, Senegal. Very instructive, indications from the Ibrahim Index of African Governance (IIAG) 2017 suggest that though the security situation worsened in Africa, there was, on the average, slight improvement in governance across countries during the decade and beyond. In particular, it was reported in 2016 and comparatively, the ECOWAS countries (with a score of 53.2%, which is higher than the 50.8% overall average score for

the entire continent) posted the second best performance after the southern African subregion that led the pack.

However, except for anecdotal narratives, there is yet little empirical evidence linking the modest success in implementing governance reforms and improving the quality of governance to better inclusive economic growth and social development in West African countries. This study, therefore, attempts to fill this research gap by empirically linking the posted improvement or otherwise in the quality of governance in the different West African countries to major development outcomes. The specific objectives of this paper are to (i) characterize the improvement made in the quality of governance and the associated growth and socio-economic development, and (ii) analyse the impact of the quality/good governance on growth and socio-economic development outcomes.

The rest of the paper is structured into four sections. Section 2 presents conceptual, theoretical and empirical reviews of the literature on governance and economic development. The theoretical framework and methodological approach to the study are laid out in section 3. Section 4 focuses on data analyses and discussion of the results. The summary and concluding remarks are rendered in section 5.

2. Literature Review

2.1 Governance and economic development: Conceptual insights and measurement

2.2.1 *Governance*

The concept of governance is very fluid. It has been variously perceived and conceptualized by key stakeholders (e.g. policy makers, institutions, and political leaders) and researchers. Thus, the term governance does not carry a universally accepted definition. Box 1 chronologically presents alternative definitions of governance over time.

Box 1. Chronological Alternative Definitions of Governance

World Bank, 1992	The manner in which power is exercised in the management of a country's economic and social resources for development. Governance is said to have three distinct aspects identified as: (i) the form of political regime (ii) the

	process by which authority is exercised in the management of a country's economic and social resources for development, and (iii) the capacity of government to design, formulate and implement policies and discharge functions.
The World Bank Institute, 2004	The traditions and institutions by which authority in a country is exercised for the common good. This includes (i) the process by which those in authority are selected, monitored and replaced, (ii) the capacity of the government to effectively manage its resources and implement sound policies, and (iii) the respect of citizens and the state for the institutions that govern economic and social interactions among them.
UNDP, 2004	The exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet obligations and mediate their differences.
World Bank, 2007	The manner in which public officials and institutions acquire and exercise the authority to shape public policy and provide public goods and services.
Kaufmann and Kraay, 2008	The tradition and institutions by which authority in a country is exercised. In other words, 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 institutions that govern economic and social interactions among them.
Fukuyama, 2013	Government's ability to make and enforce rules, and to deliver services, regardless of whether that government is democratic or not.
Mo Ibrahim Foundation, 2017	The provision of political, social and economic public goods and services that every citizen has the right to expect from his or her state, and that a state has the responsibility to deliver to its citizens.
Institute on Governance, 2018	Governance is about who has power, who makes decisions, how other players make their voices heard and how account is rendered. Summarily, governance is how society or groups within it, organize to make decisions.

From the foregoing sample definitions and as very well summarized by Chibba (2009), governance encompasses two major key and corresponding dimensions. The first has to do with how a nation is governed as manifested in the efficacy of her regulations, processes, policies, laws, oversight mechanisms and institutional capacities. The essential and underlying values, culture, traditions and ideology orientations that shape governance are the second.

2.1.2 *Indicators of Governance*

The earliest attempt to measure governance was by the World Bank. Based on a long-standing research programme, the Worldwide Governance Indicators (WGI) were developed by the World Bank in 1996. The indicators encapsulate six crucial dimensions of governance, namely (i) Voice and Accountability, (ii) Political Stability and Lack of Violence, (iii) Government Effectiveness, (iv) Regulatory Quality, (v) Rule of Law and (vi) Control of Corruption. Data on these indicators were assembled from about 40 data sources produced by over 30 organisations worldwide. These data are revised yearly beginning from 2002, and used to track changes in the condition of governance across over 200 countries. There is also the Ibrahim Index of African Governance (IIAG) indicators, established in 2007, that measures and monitors governance performance in African countries. The IIAG has four main categories: Safety and Rule of Law, Participation and Human Rights, Sustainable Economic Opportunities, and Human Development. Each of these categories contains sub-categories with many indicators as quantifiable measures of the key dimensions of governance.

2.1.3 *Economic Development*

Economic development, just like governance, is a broad term that does not have a single, unique definition. Generally, economic development is the increase in economic wealth of countries, regions or communities for the well-being of their inhabitants.

Michael Todaro specified the *availability of essential goods and services, higher income, and freedom to make economic and social choices* as the primary indicators of economic development. This indicates that economic development is about much more than advancing economic growth.

For Dudley Sears, economic development is about *poverty reduction or total eradication, ensuring less inequality and unemployment* in a country. More instructively, Amartya Sen (a Nobel laureate economist), in a publication titled 'Development as Freedom', expanded the notion of economic development to encompass facilitating the capabilities of the poor and granting them freedom of choice as critical steps to enhancing their total quality of life. This was premised on the conviction that it is only by guaranteeing freedom to the poor that they can overcome the scourges of illiteracy and ignorance, low income and

productivity, starvation, persecution and fatal mortality; and genuine economic development attained.

Summarily, economic development is about economic growth and positive structural changes within an economy. The structural changes hinge on transforming the society in ways and manners that reflect significant improvements in the daily living conditions of the citizens on a permanent and sustainable basis.

2.1.4   *Indicators of Economic Development*

Measuring economic development and expressing this in definite index has proven very difficult in economics. This is due to the diverse opinions on the notion of the economic development of a nation. However, there exist some common and popular indicators that are used to measure economic development. These include: (i) gross domestic product, (ii) gross national income/GNI per capita, (iii) factor productivity, (iv) standard of living, (v) physical environment, (vi) Quality of Life Index ((infant mortality rate, literacy rate, life expectancy at birth), (vii) Human Development Index (HDI), (viii) poverty incidence and level of inequality, (ix) development of entrepreneurship, (x) population growth, (xi) employment, (xii) place of the country in the international division of labour, and (xiii) structure of the economy.

2.2 Theories of governance and development[1]

There are alternative theories linking governance and development from the social sciences and interdisciplinary perspectives. However, this review outlines the theoretical perspectives or theories considered most relevant and advanced by leading academic economists.

Theoretical postulations by economists on the role of governance in development can be organized mainly into three and with variants of each. These are the: (1) 'successful society' theory, (2) governance for growth theory, or mostly referred to as the 'cautionary school of governance for growth theory', and (3) the 'social order' theory.

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[1] This section draws heavily from Chibba (2009).

2.2.1   *The 'Successful Society' Theory*

This theory promotes steering governance and development orientations in a country along the practices, experiences and achievements of a typical 'successful society'. A proposition for the developing countries to align their governance structures and practices to those of the developed countries. Indeed, Bloom et al. (2004) indicated that successful societies possess some good governance characteristics that define them. These include: (1) competitiveness — at both macro (the nation at large) and micro (firms and industries) levels, (2) strong institutions and rules-based conduct, and (3) social capital — actions to facilitate competitiveness and build strong institutions occur within a social context. More instructively, it was noted that the foregoing three mentioned also depend on a set of three conditions, namely (i) clear definition of roles for institutions and other players, (ii) responsiveness of governance arrangements to existing conditions as well as adaptability to change, and (iii) a consistent focus on public interest. Thus, this overview of the governance and development nexus may require the implementation of comprehensive governance restructuring as deemed necessary.

2.2.2.   *The (Cautionary) Governance for Growth Theory*

This theory was popularized by empirical evidence linking economic growth to good governance (for example, see Knack & Keefer, 1995; Easterlin, 1996; Hausmann et al., 2004). It has been observed that countries with better governance structure recorded faster economic growth compared to those with poor governance structure. Accordingly, the theoretical explanations of the link between governance and development generally have been interpreted by several economists and political scientists along the dynamics of the governance-economic growth nexus. Instructively, Rodrik (2008) acknowledged 'good governance' and development as mirror images of each other, and noted that combining good governance with material well-being by developing countries can facilitate attaining the nirvana of advanced societies.

However, recently, some literature and casual observations on the governance-growth nexus has progressively and significantly called for caution due to the associated dangers, down sides and restraints. This cautionary position followed from the not too pleasant experiences by developing countries in the

quest for improving governance and ultimately economic growth and development.

In addition, the validity of this theory has become widely queried due to the pervasive international financial and economic crisis immediately following years of impressive rates of economic growth. Coincidentally, Rodrik (2008) noted that though economists offer little insight on the notion of good governance, however, they could make significant contribution to understanding the governance-growth nexus. Furthermore, Acemoglu (2008) particularly declared that the governance-growth nexus is fuzzy and difficult to realise as a policy goal. He, therefore, pointed out five essential cautionary points and/or advice in the governance-growth/development nexus. These are (1) absence of an omnibus recipe or guidelines for improving institutions; (2) the need to take stock of dangers in implementing policy reforms and take proper cognisance of the prevalent political economy constraints; (3) have in place palliative measures to deal with new and possible harmful political outcomes across the population that policies can generate; (4) recognize the critical importance and indispensability of public goods and deal with it satisfactorily; and (5) the need for transparency by being open and accountable.

2.2.3   *The Social Order Theory*

North et al. (2008) have been credited with providing the most detailed, original, vigorous and appealing perspectives so far. The researchers attempted a careful demonstration of the theory by classifying into two groups a sample of 200 countries. A total of 175 countries accounting for as much as 85% of the world's population make up the first group. This group is associated with a social order traced to about ten millennia ago, and remain so to this day in various forms or stages that are part of the 'natural state' that has replaced the primitive or first order. These countries are the developing countries. The remaining 25 countries, representing about 15% of the population make up the second group, and are denoted as developed countries They are identified with the third social order, characterized by 'open access' as observed in a few societies between the eighteenth and nineteenth centuries. Three additional key points complete the proposition(s) of North et al. (2008). First is that the triad of competition, institutions and beliefs determine the social order. Second, historical and institutional contexts are important in the transition to open access society,

however, countries differ by the agents and dynamics of change as well as institutional capacities. North et al. (2008) therefore concluded that appropriate and successful interventions and advocacy for reforms by international organizations for the developing countries must be erected on the prevailing beliefs that underlie economic, social and cultural systems in the natural state. Failure to recognize this produces new institutional forms that are less effective than the ones they replace; and specifically, because the broad prescriptions that mimic the open access orders are prescribed, including less regulatory control, absence of monopolies, more secure property rights and improved provision of public goods such as education, and more complete markets (North et al., 2008). Third, violent resistance and disorder to change and transition can be facilitated by good institutional and organizational configuration. The foregoing basic insights underlie this thesis on social order and its linkage to the governance-economic growth/development nexus.

Summarily, the basic and essential high point in the foregoing three theoretical perspectives is that institutions matter for economic growth/development. Nevertheless, there are marked differences in each theory's perspectives and/or propositions, and the context and approach to institutions, societies and the dynamics of development progress.

2.3 Empirical literature review

There are a plethora of empirical studies examining the nexus between governance institutions and economic growth. Though several studies defined institutions differently, available evidences are insightful, consistent and indicate convincing basis for the overwhelming importance of institutions in explaining significant differences in per capita incomes across countries (Eicher and Leukert, 2009). However, few other studies found contrary results indicating that institutions do not explain differences in economic performance across the world (Sachs et al., 2004).

2.3.1   *Evidence from Around the World*

Knack and Keefer (1995) examined the impact of property rights on economic growth across countries over the period 1976 to 1995, using the ordinary least squares estimation technique. They carried out a cross-country test using

alternative measures of institutional quality, namely the International Country Risk Guide (ICRG) and Business Environmental Risk Intelligence (BERI) data base. These alternative measures singly and jointly impacted economic performance in a positive way. Interestingly, the results remained valid after controlling for the effects of education, initial income and other control variables in the estimations. The researchers concluded that the quality of institutions is important for economic prosperity.

Rodrik (1997) deployed an index of institutional quality adopted from the works of Knack and Keefer (1995) and Easterly and Levine (1997) for eight East Asian countries for the period 1960 to 1994. The author examined how this index explains the economic activities and outcomes of these countries using the two-stage least squares (2SLS) estimation technique. His findings from a parsimonious specification, including initial income, initial education and institutional quality, suggest that they all accounted for virtually all of the variation in the economic performance of the eight countries in the region over the period, even when institutional quality was instrumented.

Again, in another cross-country study, Hall and Jones (1999) also employed the ICRG index earlier explored by Knack and Keefer (1995) for the year 1988 and a sample of 127 countries to evaluate the observed huge differences in per capita income among countries. Using a 2SLS estimation technique, the findings showed substantial variations in total factor productivity (i.e. the Solow residual) across countries. These observed significant variations in capital accumulation, productivity and, by implication, output per worker (that is, per capita income) across the countries were driven by differences in institutions and government policies. In addition, a positive relationship between output per worker and availability of social infrastructure was observed with necessary control for the moderating effects of other variables.

In their study, Campos and Nugent (1999) assessed the role and characteristics of institutions of governance in the development accomplishment of the East Asia and Latin America regions. Using four operational governance characteristics, including those from the International Country Risk Guide (ICRG), Business Environmental Risk Index (BERI), Polity III Project and Freedom House indices, they focused on GDP per capita, infant mortality rate, and adult illiteracy rate as the economic performance measures and regressands. Their findings suggest that several of the institutional characteristics were

statistically significant and the envisaged effects on development outcomes in the regions.

Similarly, Keefer and Shirley (2000) undertook research to determine whether the quality of institutions promotes increase in government consumption, public investment and public debt. Their analysis used a panel of 84 countries for the period 1982 to 1994. The historical interpretative framework given by the number of countries sampled and years covered demonstrated clearly that lack of growth in any country or area is explained by the deficiency of macro-economic policies. It was further demonstrated that the effectiveness of policies no matter how good would be undermined in countries with low quality institutional capacities, particularly in the short term, and given that the quality of institutions get improved in a marginal and gradual trend.

Kaufmann, Kraay, Lora and Pritchett (2002), in their study, investigated the strength of the expected positive causal relationships between governance and per capita income by exploring alternative measures, and determined if there was a weak and even negative causal effect running in the opposite direction from per capita income to governance. Their study adopted an instrumental variable (IV) method using the WGI measures covering 173 countries for the period 2000 to 2001. Their finding, which was used to interpret the relationship between incomes and governance in Latin America and the Caribbean region, indicated that per capita income and the quality of governance are positively correlated across countries. The import of this is that good governance is important for economic development.

Easterly and Levine's (2003) study focused on whether endowments, institutions, and policy views influence economic development or otherwise. They employed various institutional measures, including the WGI, for various countries and years to estimate 2SLS. Their finding shows that endowments (as measured by geography and settler mortality) could explain the cross-country variations in economic development (as measured by per capita income) only through their impact on institutions. They, therefore, established that only institutions can explain cross-country variations in per capita income. Hence, endowments can only explain economic development through their impacts on institutions.

Dollar and Kraay (2003) investigated causality between governance and per capita income across 173 countries for the period 1997-98. A set of 300

indicators of governance were compiled and explored. There was a bi-directional relationship, but running from institutions to growth. A significant positive relationship, moving from good governance to economic growth, was also observed.

Kaufmann, Kraay and Mastruzzi (2005) tested for correlation between the quality of governance and per capita income in a sample of 170 countries. Six composite indicators involving about 190 measures of perception of governance were developed and explored. Data based on these indicators were collected from 17 institutions across the countries. The econometric analyses showed significant positive relationship between trend in every measure of quality of governance and income per capita growth rates. It was, therefore, concluded that better governance often moderates the effects of other factors that foster increase in income and wealth of countries.

Keefer and Knack (1993, 1995) reported that economic prosperity is significantly influenced by institutional elements of property rights and contract enforcement. Likewise, a substantial improvement in developmeny trajectory at the instance of better governance was demonstrated by Campos and Nugent (1999). Kaufmann, Kraay and Zoido-Lobatan (1999) identified the problems associated with the aggregation of good governance measures, but concluded that good governance matters for development. Thomas (2009) and Kaufmann, Kraay and Mastruzzi (2011) also arrived at the conclusion that institutions facilitate growth.

Siddiqui and Ahmed (2009) investigated the links between nations' institutional quality and economic growth for a sample 141 countries, using the generalized method of moments (GMM) instrumental variable estimation in order to control for endogeneity. It used real GDP growth as the dependent variable and expressed the independent variables in terms of averages from 1988 to 2003. Institutional quality was captured by an index of institutionalized social technology and used as independent variable in addition to control variables. Their findings suggest a strong causal link between institutional quality and economic performance with institutional quality being positive and statistically significant. The authors contended that institutional performance is a possible pre-condition for convergence.

 More recently, Chuku (2014) examined the determinants of growth drivers and transformation in Africa from a governance attentive perspective, using a

panel of 43 African countries. The six indicators of governance were taken from the WGI dataset of the World Bank for the period 1996 to 2012. Chuku (2014) applied a consistent and non-parametric kernel regression technique to estimate a structural model of growth and the measures of governance, including the six classified geographical regions of Africa and country dummies. His findings inferred that only regulatory quality, rule of law and control of corruption affect growth in Africa. He however admitted the evidence of heterogeneity between the geographic regions.

Similarly, Azam and Emirullah (2014) explored how corruption impacts the quality and outcome of governance on gross domestic product (GDP) per capita income of nine selected countries in Asia and the Pacific over the period 1985-2012 . In the empirical model, control was made for effects of inflation rate, openness to trade and dependency ratio. The reported results reveal that both corruption and inflation rate negatively and significantly impacted GDP per capita. The control variables showed mixed results. While dependency ratio had a negative impact, in contrast, openness to trade had a positive impact. Both impacts were statistically significant. It was, therefore, recommended that corruption be put in check and the economies be further opened to accelerate economic growth and development.

2.3.2 *Evidence from Sub-Saharan African Countries*

Habtamu (2008) studied the relevance of institutions in explaining the slow growth of sub-Saharan African (SSA) countries using data for 35 selected countries from 1996 to 2005. His findings indicate that under different specifications and estimation techniques, the coefficients of the governance quality indicators such as rule of law, government effectiveness, regulatory quality, political instability and voice and accountability were all positive and strongly significant to influence the growth of SSA. The author opined that the slower growth in the region can in part be explained by bad governance, stressing that the region appears to lack the necessary institutional qualities that foster growth.

Akpan and Effiong (2012) examined the relationship between governance and development performance covering 21 SSA countries for eight years, between 1998 and 2007, using pooled OLS panel data analysis. Per capita income and human development were used as measures of development

performance. The Worldwide Governance Indicators (WGI) were used as the independent variables for institutions of governance measures, and trade openness as a control variable to capture openness of the economy. Their findings showed that all the institutions of governance indicators had positive effects and were significantly associated with development outcomes. Trade openness, however, as positive and statistically significant. The authors attributed these results to the fact that good institutional quality is critical in the process of economic development and as such, a good mixture of these qualities is essential. Thus, these qualities should be emphasized and assigned top priority at all stages of the development process.

Fayissa and Nsiah (2013) investigated the role of governance in the observed sub-optimal economic growth outcomes of 39 SSA countries from 1995 to 2004. Additionally, they investigated whether the impact on governance is dependent on the relative level of the income of the region. They employed the fixed and random effect models, and the Arellano-Bond models of panel data estimation approach. Their results suggest that the quality of governance positively explained the trend in per capita income growth of the sampled countries. However, the magnitude and significance of the impact is moderated by the measures of governance used. The authors reasoned that differences in the quality of governance contributed to the disparity in income per capita between the rich and poor SSA countries.

In their contribution, Kilishi et al. (2013) investigated whether institutions really matter in sub-Saharan Africa, and if they do matter, which of them matters most for the region? They employed the WGI to estimate both difference and system GMM model with a data set covering a sample of 36 countries from 1996 to 2010. Their findings revealed that institutions really matter for SSA's economic performance, among which regulatory quality and rule of law appeared to be the most important and as such, the economic performance of the region could be enhanced by improving these institutional development indicators. Ajayi (2013) studied the role of institution on foreign aid and economic development in sub-Saharan Africa (SSA) and employed the system generalized method of moments estimation technique. Using the indexes of the extent of the rule of law alongside control of corruption as measures of institutional quality on time series data from 1996-2010, the paper concluded

that the control of corruption is inversely related to economic development in SSA.

Recently, Oluwatoyin and Folasade (2014) investigated the impact of openness to trade alongside the role of institutions on economic growth in a sample of 30 SSA countries for the period 1985 to 2012. They explored different institutional variables that include political rights (proxy for political institutions), ethnic tension (proxy for cultural institutions) and repudiation risk (proxy for contracting institutions). The least squares dummy variables (LSDV) and the generalized method of moments were utilized for the estimations. Their findings indicated that both institutions and trade openness positively impacted the growth of the countries. However, while the impact of institutions was strong, that of trade openness was little.

2.3.3   *Evidence from Nigeria*

Yusuf (2013) examined institutions and economic performance in Nigeria, employing the auto-regressive distributed lag (ARDL) model using co-integration and causality tests. The results show there was a long-run relationship between institutions and economic growth. The causality test indicated a bi-directional relationship, suggesting Granger causality from either direction between the variables. Specifically, these results revealed that low income is associated with poor institutions in Nigeria. The need to improve on the quality and functionality of institutions to drive growth in critical sectors of the economy was emphasized.

Bakare (2011) applied the vector auto-regressive (VAR) model to study the role of official development assistance (ODA) on economic growth in Nigeria, using corruption index as an institutional variable. In his investigation that used time series data from 1988-2010, he tested for long-run relationship between foreign aid and economic growth in Nigeria using the error correction model procedure. The study concluded that corruption crowds out investment and capital formation, which implies that the institutional variable (corruption) is negatively related to output growth in Nigeria.

Evidently, from the foregoing review, there is widespread support of a positive nexus between governance and economic growth even though there are contrary perspectives and evidences. Hence, Sachs et al. (2004) highlighted the subsisting debacle of steering governance to address the imperative of economic

growth and development in African countries. They showed empirically and in fact debunked the popular opinion that a lot of African countries are not well ruled given their recorded incomes relative to other continents. More importantly, they are convinced that disparities economic and development outcomes among African countries cannot be explained solely by the governance factor. They pronounced the emphasis on governance reforms as erroneous. Thus, they opined that in the governance-economic growth/development nexus, the causality runs from the latter by influencing and strengthening institutions via higher income. Indeed, growth and development often necessitate more and superior institutions. Aaron (2000) put this more aptly with his declaration that institutions, though desirable, are not preconditions for development, and could not be acquired until a certain level of economic affluence is attained.

3. Theoretical Framework and Methodological Approach

3.1 Theoretical framework

The theoretical framework for this study is a synthesis or the eclectic form of the three theories earlier reviewed in section 2. The theoretical foundation for this study, therefore, is hinged on the contemplation that developed countries offer the developing ones important lessons; good governance is required for the pursuit of economic growth, which is fundamental and a necessary condition for development; and that although African countries require intervention and reforms, any intervention and intended reform must conform with prevailing beliefs in relation to the economic, social and cultural systems in the respective countries. In summary, good governance matters for economic growth in the first instance and ultimately for the economic development of developing countries and West African countries.

3.2 Methodology

The methodological approach to this study is in tandem with the twin specific objectives of this study. To recapitulate, these objectives are to (i) characterize the improvement made in the sphere of governance and the associated growth and socio-economic development, and (ii) analyse the impact of the good governance on growth and socio-economic development outcomes. Accordingly,

the methodological approach adopted and/or empirical analyses conducted combined the use of descriptive and regression analyses.

3.2.1 *Descriptive Analysis*

This is the first stage of the study analysis. Here, the overview of governance performance for the sampled and sub-sampled countries is presented. It then further characterizes the general overview presented to provide further insights and indications on the collective and for individual countries in the sample. The same thing is done in respect of economic growth and economic development trajectory of the countries.

3.2.2 *Regression Analysis*

The intention in carrying out this exercise is to explore the governance and economic growth/development nexus. This was done with a model that considered a set of important control variables including inflation rate, openness to trade and dependency ratio. The model explored and evaluated, following the lead of Azam and Emirullah (2014), a general regression equation expressed as:

$$\text{Log } GDPPC_{it} = a_{0} + \beta_1 P_{it} + \beta_2 GOVI_{it} + \beta_3 OP_{it} + \beta_4 DPR_{it} + \varepsilon_{it} \tag{1}$$

where:

Log $GDPPC_{it}$	=	natural logarithm form of GDP per capita
βs	=	estimate coefficients
P_{it}	=	inflation rate (CPI-consumer price index)
$GOVI_{it}$	=	governance index – Ibrahim Index of African governance (IIAG) score
OP_{it}	=	openness to trade (export plus import as percentage of GDP
DPR_{it}	=	age dependency ratio (0–14 years and 65+/labour force – 15–64 years population)
ε_{it}	=	error term = $v_{it} + \mu_{it}$
v_{it}	=	uncaptured time invariant country-specific effects
μ_{it}	=	white noise errors (see Kimino, Saal & Driffield, 2007)
i and t	=	the ith country and the ith time period

A priori expectations in respect of each explanatory variable of the model and equation (1) are as follows

Explanatory variable	Expected sign
P_{it}	Negative or Positive
$GOVI_{it}$	Positive
OP_{it}	Negative or Positive
DPR_{it}	Negative

Given the data type, the panel analysis framework was employed for the analysis. The choice of the appropriate estimation results between the fixed effects (FE) and random effects (RE) models was decided with the Hausman's test.

3.2.3   *Sampled Countries*

The focus of this study is on West African states. All the 16 countries of the West African sub-region were therefore covered. The countries are Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo. Luckily, relevant data were uniformly obtained in respect of all the countries. Empirical analyses, including descriptive and regression, were conducted.

3.2.4   *Sources of Data*

The governance data were sourced from the Mohammed Ibrahim Foundation Ibrahim Index of African governance (IIAG), 2017 report and data set. The IIAG provides a robust updated index of governance for all African countries. Moreover, the IIAG is easier to interpret relative to the World Bank Indicators, hence, the preference for its use in this study. All data in respect of economic growth and economic development indicators were sourced from the World Bank Development Indicators data set, 2017.

4. Empirical Analyses

4.1 Descriptive analysis

The analysis in this section is organized into two broad sub-sections. The first presents discussions on governance performance. This sub-section is further sub-divided into two: governance landscape of Africa and governance performance of the West African countries. The second is on economic growth and economic development outcomes.

4.1.1   *Governance Performance*

4.1.1.1 *Governance landscape of Africa*

The overall governance performance profile of African countries on the average shows consistent and slight improvement over the period 2007-2016. Table 1a indicates that overall governance performance increased from 49.4% score in 2007 to 50.8% in 2016. The breakdown into the key aspects that make up this overall performance shows that similar consistent and slight improvements were recorded in respect of Participation and Human Rights, Sustainable Economic Opportunity and Human Development. Participation and Human Rights score increased from 47.2% in 2007 to 49.4% by 2016. Likewise, there were increases from 43.8 and 51.7% in 2007 to 45.1 and 56.1% in 2016, for Sustainable Economic Opportunity and Human Development, respectively. However, there was a decline in score for Safety and Rule of Law from 55.2% in 2007 to 52.8% in 2016.

Table 1a. Overview of Governance Performance in Africa (2007-2016)

Indicators	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Trend 2007–2016	Annual average trend
Overall Governance	49	50	50	50	50	50	50	50	51	51	+1.40	+0.16
Safety & Rule of Law	55.2	55.0	54.2	54.1	53.6	53.5	52.5	52.1	52.0	52.8	−2.40	−0.15
Participation & Human Rights	47.2	47.1	46.9	47.5	48.0	48.4	48.8	48.8	49.4	49.4	+2.20	+0.22
Sustainable Economic Opportunity	43.8	44.4	45.0	45.3	44.7	44.7	44.9	44.4	44.8	45.1	+1.30	+0.13
Human Development	51.7	52.4	53.3	54.1	54.3	54.8	55.0	55.4	55.8	56.1	+4.40	+0.44

Source: Ibrahim Index of African Governance Report, 2017.

Very instructively, table 1b provides a summary and deeper insight. It indicates that 40 out of the 53 countries covered (excluding South Sudan)[2] posted improved overall governance scores, of which 12 are West African countries. Another 12 countries were observed to have deteriorated scores, of which four are from West Africa. More classification of the countries by overall governance performance, particularly in respect of the last five years (2012-2016), is shown in table 1c. According to the table, a total of 18 countries (including 2 West African countries – Senegal and Côte d'Ivoire) were classified under the increasing improvement class of countries. The slowing improvement countries numbered 13, and Liberia constituted one of these. A set of 10 countries were reported to fall under the warning signs category, under which Cabo Verde and Sierra Leone were listed. Mali was recognised as one of the three countries that are bouncing back. Lastly, and very significantly too, Ghana is among the eight countries listed under increasing deterioration.

Table 1b. Ten-Years Trend Summary of Overall Governance Performance of Countries (2007–2016)

Classification	No. of Countries
Countries with an improved score	40 (inclusive of 12 West African countries)
Countries with a deteriorated score	12 (4 West African countries)
Countries with no score change	1

Source: Ibrahim Index of African Governance Report, 2017.

Table 1c. Five-Years Trend Summary of Overall Governance Performance of Countries (2012-2016)

Classification	No. of Countries (West African)
Increasing improvement	18 (2 – Senegal and Côte d'Ivoire)
Slowing improvement	13 (1– Liberia
Warning signs	10 (2 – Cabo Verde, Sierra Leone)
Bouncing back	3 (1– Mali)
Slowing deterioration	1
Increasing deterioration	8 (2 – The Gambia, Ghana)

Source: Ibrahim Index of African Governance Report, 2017.

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[2] South Sudan gained independence from Sudan on 9 July 2011. So it was removed from the analysis.

4.1.1.2 *Governance performance of the West Africa countries*

The overall governance performance profile of West African countries on the average, like what was observed for the African countries as a whole, shows a consistent and slight improvement over the period 2007-2016. Indeed, a better performance across the five measures over the posted performance for Africa (see table 2). Overall governance performance increased from 50.2% point in 2007 to 53.2% by 2016. Interestingly, all the four individual dimensions that culminate in the overall score, remained stable and increased as the case may be, over the period under review. The Human Development dimension is where the most improvement occurred (with a +5.9 % point on year trend), followed by Sustainable Economic Opportunity (+3.0 %), Participation and Human Rights (+2.6) and Safety and Rule of Law with the least (+0.4%).

Table 2. Overview of Governance Performance in West African Countries (2007-2016)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Trend 2007-2016	Annual average trend
Overall Governance	50	51	51	52	52	52	52	52	53	53	3.0	0.32
Safety & Rule of Law	57	57	56	57	57	57	56	56	56	57	0.4	0.04
Participation & Human Rights	54	53	53	54	55	55	55	55	56	56	2.6	0.26
Sustainable Economic Opportunity	43	44	45	45	45	45	45	45	45	46	3.0	0.30
Human Development	48	49	50	51	52	52	52	53	54	54	5.9	0.59

Source: Author, Underlying data from Ibrahim Index of African Governance Report, 2017.

How each country has performed on trend basis between 2007 and 2016 is shown in table 3. This was tracked simply by taking the difference between the 2007 and 2016 overall governance scores for each country. Any positive difference less than 5% points was classified as low, 5-10% as moderate, over 10 as high, and negative difference as a decline. From the table, only Côte d'Ivoire and Togo recorded high difference. Guinea, Liberia, Niger and Senegal recorded moderate difference. Low difference were recorded by Benin, Burkina Faso, CaboVerde, Guinea-Bissau, Nigeria and Sierra Leone. The duo of The Gambia and Ghana recorded declines.

Table 3. Differences in West African Countries' Overall Governance Scores between 2007 and 2016

Country	Overall Governance 2007	Overall Governance 2016	Difference	Remark
Benin	57.6	59.0	1.4	Low
Burkina Faso	52.6	53.7	1.1	Low
Cabo Verde	71.5	72.2	0.7	Low
Côte d'Ivoire	41.6	54.2	12.6	High
The Gambia	51.3	49.2	-2.1	Decline
Ghana	66.5	65	-1.5	Decline
Guinea	40.6	45.5	4.9	Moderate
Guinea-Bissau	40.1	41.3	1.2	Low
Liberia	44.9	51.4	6.5	Moderate
Mali	54.3	51.9	-2.4	Decline
Mauritania	47	44.5	-2.5	Decline
Niger	44.9	50.1	5.2	Moderate
Nigeria	44.7	48.1	3.4	Low
Senegal	56.2	61.6	5.4	Moderate
Sierra Leone	48.3	51.7	3.4	Low
Togo	41.7	51.7	10	High

Source: Author, Underlying data from Ibrahim Index of African Governance Report, 2017.

The relative performance of each of the 16 countries across the different governance measures is presented in table 4. According to the table, Cabo Verde is in the first position in all of the governance dimensions. In other words, it is the best governed country in relative and absolute terms in the sub-region. Then comes Ghana, in the second position, except in the Sustainable Economic Opportunity dimension where it came third behind Senegal in the second position. Benin and Senegal are in the third and fourth positions, respectively with their relative better performances with respect to Overall Governance, though with inconsistent performances across the dimensions. Nigeria, Mauritania, Guinea and Guinea-Bissau come in the bottom 13th, 14th, 15th, and 16th positions in the overall governance score, respectively (See Table 4 for the details on the other countries).

Table 4. Relative Performance of West African Countries across Governance Measures

Country	Overall Governance	Rank	Country	Safety & Rule of Law	Rank	Country	Participation & Human Rights	Rank	Country	Sustainable Economic Opportunity	Rank	Country	Human Dev.	Rank
Cabo Verde	72.5	1	Cabo Verde	77.0	1	Cabo Verde	79.8	1	Cabo Verde	60	1	Cabo Verde	73.1	1
Ghana	66.7	2	Ghana	72.9	2	Ghana	73.8	2	Senegal	53.6	2	Ghana	67	2
Benin	58.7	3	Benin	65.8	3	Benin	67.7	3	Ghana	53.2	3	Gambia	62	3
Senegal	58.5	4	Senegal	63.0	4	Senegal	65.1	4	Gambia	52.4	4	Benin	53.4	4
Mali	53.3	5	Burkina Faso	60.2	5	Sierra Leone	58.8	5	Burkina Faso	49.5	5	Senegal	52.5	5
Burkina Faso	53.1	6	Sierra Leone	58.2	6	Burkina Faso	57	6	Mali	48.7	6	Mali	50	6
Gambia	51.5	7	Mali	57.8	7	Liberia	56.8	7	Benin	47.9	7	Mauritania	49.7	7
Sierra Leone	51.3	8	Liberia	56.7	8	Mali	56.6	8	Mauritania	44.9	8	Nigeria	47.8	8
Liberia	49.1	9	Togo	56.7	9	Niger	52.2	9	Côte d'Ivoire	43.6	9	Togo	47.2	9
Niger	48.1	10	Niger	54.9	10	Nigeria	48.5	10	Sierra Leone	42.6	10	Liberia	46.5	10
Togo	46.5	11	Gambia	53.4	11	Togo	47.4	11	Niger	42.5	11	Côte d'Ivoire	46.4	11
Côte d'Ivoire	46.3	12	Côte d'Ivoire	48.6	12	Côte d'Ivoire	46.8	12	Nigeria	39.4	12	Guinea-Bissau	46.4	12
Nigeria	45.5	13	Guinea	48.0	13	Guinea-Bissau	43.7	13	Liberia	36.6	13	Sierra Leone	45.8	13
Mauritania	44.6	14	Nigeria	46.4	14	Guinea	43.6	14	Guinea	36.5	14	Burkina Faso	45.6	14
Guinea	43.1	15	Mauritania	45.3	15	Mauritania	38.3	15	Togo	34.7	15	Guinea	44.3	15
Guinea-Bissau	40.3	16	Guinea-Bissau	42.7	16	Gambia	38.2	16	Guinea-Bissau	28.3	16	Niger	42.9	16

Source: Author, Underlying data from Ibrahim Index of African Governance Report, 2017

4.1.2.   *Economic Growth and Socio-economic Development Performance in West African Countries*

Following the insights on the governance performance profile of the sampled countries, this study then analysed the trend in economic growth and socio-economic development performance for the countries. This is based on the array of indicators with readily available relevant data. A total of 15 indicators were assembled. Table 5 presents the average trend in these selected indicators for the countries from 2007 to 2016. Of the 15 indicators, 13 moved in the desired direction and are therefore characterized as being improvements. These are: GDP per capita, GNI per capita, inflation, sanitation facilities, access to water sources, life expectancy, infant mortality rate, under-5 mortality rate, population growth, primary school enrolment, total unemployment rate, death rate and age dependency ratio. In contrast, average annual GDP growth rate and exchange rate to the US$ deteriorated.

The maximum and minimum values in respect of each of these indicators were indicated and with countries that posted the maximum and minimum values indicated as well. Cabo Verde which was observed to be the best governed country among the sampled countries interestingly posted the best performance in respect of 10 of the indicators – GDP per capita, GNI per capita, sanitation facilities, access to water sources, life expectancy, infant mortality rate, under-5 mortality rate, population growth, death rate and age dependency ratio. A similar pattern of better governance being associated with better socio-economic development is noticeable for the rest of the countries.

4.2 Regression results

The analytical modelling and estimations involve a balanced panel data set of 10 years (2007-2016) for sixteen (16) countries. The sample size is 160 (= 10×16). The most appropriate method in this instance is the panel method and it is, therefore, used for empirical investigation. The choice between the fixed effects (FE) or random effect (RE) model was in line with Greene (2008) based on Hausman's specification test (Hausman, 1978). According to Klarner (2010), any p-value (p >0.05) indicating insignificance invalidates the RE model and supports the acceptance of the FE model. The Hausman's test statistics favour the RE model generally relative to the FE model. Therefore, only the RE model results are reported.

Table 5. Trends of Selected Socio-economic Development Indicators for West African Countries, 2007-2016 (Yearly Averages)

Indicators	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Trend 2007-2016	Max.	Max.	Mean
GDP growth (annual %)	5.2	5.3	3.0	5.1	4.2	5.9	5.7	4.3	2.2	4.1	**Deterioration**	6.8 (Ghana)	2.4 9 (Guinea)	4.5
GDPPC (Current US$)	812.9	951.0	887.5	983.7	1084.2	1090.9	1168.6	1165.6	1021.9	1015.8	Improvement	3370.9 (Cabo Verde)	368.2 (Niger)	1018.2
GNI per capita (constant 2010 US$)	897.6	920.2	922.2	937.2	949.0	969.7	996.3	1016.2	1020.1	1029.0	Improvement	3243.5 (Capo Verde)	297.1 (Liberia)	965.7
Inflation, consumer prices (annual %)	5.9	7.3	4.3	5.5	6.2	5.4	4.1	3.4	4.0	4.4	Improvement	13.7 (Ghana)	1.6 (Senegal)	5.0
Official exchange rate (LCU per US$, period average)	723.1	730.3	784.5	892.3	962.5	1003.8	990.6	1010.3	1127.8	1132.4	**Deterioration**	6186.3 (Guinea)	1.6 (Ghana)	935.7
Improved sanitation facilities (% of population with access)	24.3	24.8	25.3	25.8	26.2	26.7	27.2	27.5	27.7	27.7	Improvement	66.6 (Capo Verde)	9.9 (Niger)	26.3
Improved water source (% of population with access)	68.0	69.1	70.1	71.2	72.2	73.3	74.2	75.0	75.6	75.6	Improvement	89.8 (Capo Verde)	55.3 (Niger)	72.4
Life expectancy at birth, total (years)	56	57	57	58	58	59	59	60	60	60	Improvement	72.0 (Capo Verde)	49.0 (Sierra Leone)	58.4
Mortality rate, infant (per 1,000 live births)	71.8	69.4	67.0	64.9	62.7	60.6	58.7	56.9	55.2	53.7	Improvement	100.6 (Sierra Leone)	21.1 (Capo Verde)	62.1

Indicators	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Trend 2007-2016	Max.	Max.	Mean
Mortality rate, under-5 (per 1,000 live births)	116.5	111.5	106.7	102.2	97.9	93.9	90.1	86.7	83.5	80.5	Improvement	147.6 (Sierra Leone)	25.0 (Capo Verde)	96.9
Population growth (annual %)	2.8	2.8	2.7	2.7	2.7	2.7	2.7	2.6	2.6	2.6	Improvement	3.8 (Niger)	1.2 (Capo Verde)	2.7
School enrolment, primary (% gross)	92.1	92.6	94.9	96.2	97.1	98.7	99.2	99.1	99.8	99.8	Improvement	120.0 (Benin)	65.3 (Niger)	97.0
Unemployment, total (% of total labour force)	8.5	8.4	8.3	7.7	7.7	7.7	7.7	7.6	7.6	7.7	Improvement	29.7 (The Gambia)	2.5 (Niger)	7.9
Death rate, crude (per 1,000 people)	11.8	11.4	11.0	10.7	10.4	10.1	9.9	9.6	9.4	9.4	Improvement	14.8 (Sierra Leone)	5.7 (Capo Verde)	10.4
Age dependency ratio (% of working-age population)	88.6	88.3	87.9	87.3	87.1	86.7	86.1	85.5	84.9	84.4	Improvement	110.7 (Niger)	62.4 (Capo Verde)	86.7

Source: Author, Underlying data from World Bank Development Indicators Data Set, 2017.

Five versions of equation (1) were estimated based on governance measure dimensions: (i) Overall Governance, (ii) Safety and Rule of Law, (iii) Participation and Human Rights, (iv) Sustainable Economic Opportunity, and (v) Human Development; and labelled model I-V respectively.

The descriptive statistics and correlation matrix of the variables are presented in tables 6a and 6b.

Table 6a. Variables Summary Statistics for West African Countries Sample

Variables	LGDPPC	INF	OG	PHR	SEO	SRL	HD	OP	DPR
Mean	2.92	5.04	51.8	54.6	44.6	57	51.3	77.5	86.67
Median	2.9	4.35	50.7	54.4	45.1	56	48.1	71.2	86.35
Maximum	3.6	22.8	73.4	80.9	61.4	79	75.4	311	111.8
Minimum	2.3	-36	37.1	34.7	25.5	38	38.3	20.7	54.1
Std. Dev.	0.27	6.17	8.66	12.3	8.34	9.9	8.84	31.3	10.68
Observations	160	160	160	160	160	160	160	160	160

Table 6b. Correlation Matrix among Variables for West African Countries Sample

Variables	LGDPPC	INF	OG	OP	DPR	PHR	SEO	SRL	HD
LGDPPC	1	0	0.5	0	-1	0.4	0.5	0.29	0.6
INF	0.05	1	0	0.1	0	0	0	0	0
OG	0.481	0	1	0	0	0.9	0.8	0.94	0.8
OP	-0.1	0.1	0	1	0	0	0	0.1	0
DPR	-0.62	0	0	0	1	0	0	-0.3	-1
PHR	0.395	0	0.9	0	0	1	0.6	0.9	0.6
SEO	0.468	0	0.8	0	0	0.6	1	0.7	0.7
SRL	0.287	0	0.9	0	0	0.9	0.7	1	0.7
HD	0.575	0	0.8	0	-1	0.6	0.7	0.67	1

The estimates show that all the dimensions of the governance measure were positively related to economic growth/development, and only the influence of safety and rule of law was not significant. Coming to the control variables, inflation was positively signed with economic growth but not significant across the models. Openness to trade was negatively signed with economic growth and its influence was significant across all the models. Similarly, dependency ratio was negatively associated with economic growth, also with significance across all models (table 7).

Table 7. Panel Data Estimates for West African Countries

Variables/Models	Model 1	Model 2	Model 3	Model 4	Model 5
C	3.2967	3.9885	3.4867	3.6011	3.1389
	*(10.2460)**	*(14.0226)**	*(12.4148)**	*(13.2081)**	*(9.7604)**
OG	0.0093				
	*(3.2354)***				
SRL		0.0003			
		(0.1373)			
PHR			0.0062		
			*(3.3480)***		
SEO				0.0080	
				*(2.9833)****	
HD					0.0092
					*(3.8871)***
INF	0.0004	0.0001	0.0002	0.0004	0.0010
	(0.2665)	*0.0643*	*(0.1842)*	*(0.3198)*	*(0.7441)*
OP	-0.0009	-0.0011	-0.0010	-0.0009	-0.0009
	*(-2.4987)****	*(-2.9906)***	*(-2.8877)***	*(-2.4117)****	*(-2.6600)****
DPR	-0.0092	-0.0116	-0.0096	-0.0113	-0.0073
	*(-3.4004)**	*(-4.2929)**	*(-3.6022)***	*(-4.4415)**	*(-2.6106)****
R^2	0.1994	0.1443	0.2002	0.2003	0.2204
Adj. R^2	0.1787	0.1222	0.1796	0.1797	0.2003
F-Stat.	9.6484	6.5340	9.7025	9.7052	10.9575
(p-value)	0.0000	0.0001	0.0000	0.0000	0.0000
Hausman Test	3.1805	3.6569	3.2500	4.3514	3.3651
(p-value)	0.5281	0.4544	0.5169	0.3605	0.4987

Note: t-statistics are in ( ), RE and FE denotes random effects model and fixed effects model, *, ** and ***statistically significant at 1, 5 and 10% level, respectively.

5.   Summary and Conclusion

The primary motive for this study was the need to explore the effect of the modest success recorded from implementing governance reforms and improvement in the quality of governance on economic growth and development in Africa generally, and particularly the West African countries. The methodological approach adopted and empirical analyses conducted combined the use of descriptive and regression analyses. The results corroborate previous studies that good governance encourages economic growth and development in

tandem with theoretical expectations. Likewise, the results for the control variables align with theoretical expectations as well as existing empirical evidences. In particular, the results show that high dependency ratio, which characterizes the sampled countries is unfavourable for economic growth and development.

The conclusion is that good governance facilitates economic growth and development by removing economic distortions, promoting investment through making doing business easy, lowering the costs of doing business and reducing inequality. It is therefore advised that further reforms and improvements in governance in all ramifications should be sustained. In other words, there is the need to strengthen the countries' institutional capacity, ensure improved bureaucracy, achieve a further conducive investment environment and superior resources allocation.

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