Governance

Governance scenario

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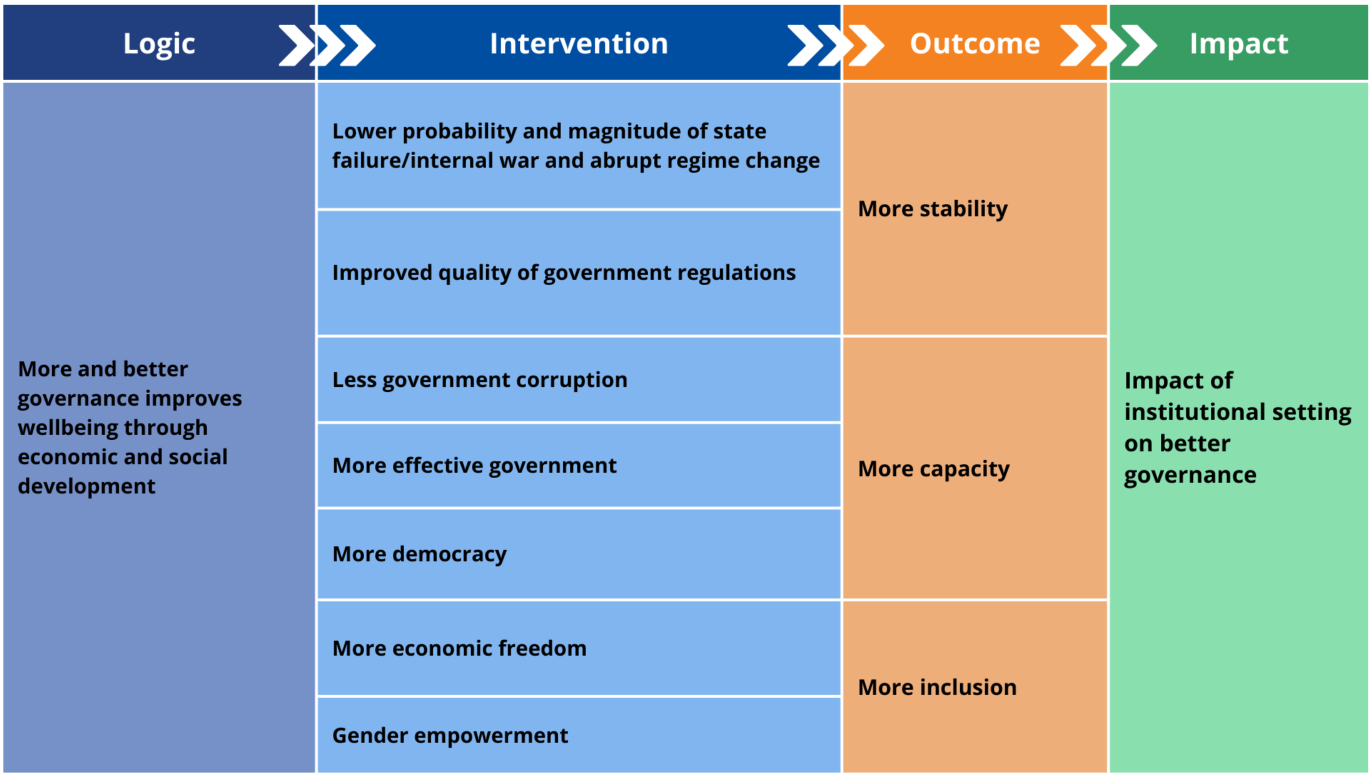
Chart 18 presents the logic that underpins the Governance scenario, divided into the three dimensions of governance, more stability/security, capacity and inclusion.

Chart 18: The Governance scenario



In the Governance scenario, more **stability** uses data from the Political Instability Task force[1] to model:

- a reduction in the probability and magnitude of state failure/internal war, and
- a reduction in the probability and magnitude of abrupt regime change.

Capacity is enhanced by improving the quality of government regulation, government effectiveness (both from the WGI) and reductions in corruption using the ICG from Transparency International.

Inclusion improves as a result of:

- an improvement in levels of democracy using the Polity IV index
- an improvement in gender empowerment using the gender empowerment measure (GEM) from the UNDP[2]
- more economic freedom, using the associated index from the Fraser Institute, and
- the roll-out of a cash grant program to benefit poor people which is briefly discussed below (this intervention was recently added and may not be included in all geographic reports).

Modern technology makes it possible to set up social grant systems without the inefficiencies and corruption of the past and is often assocated with a push to provide Africans with secure identity systems and the establishment of a national population register.

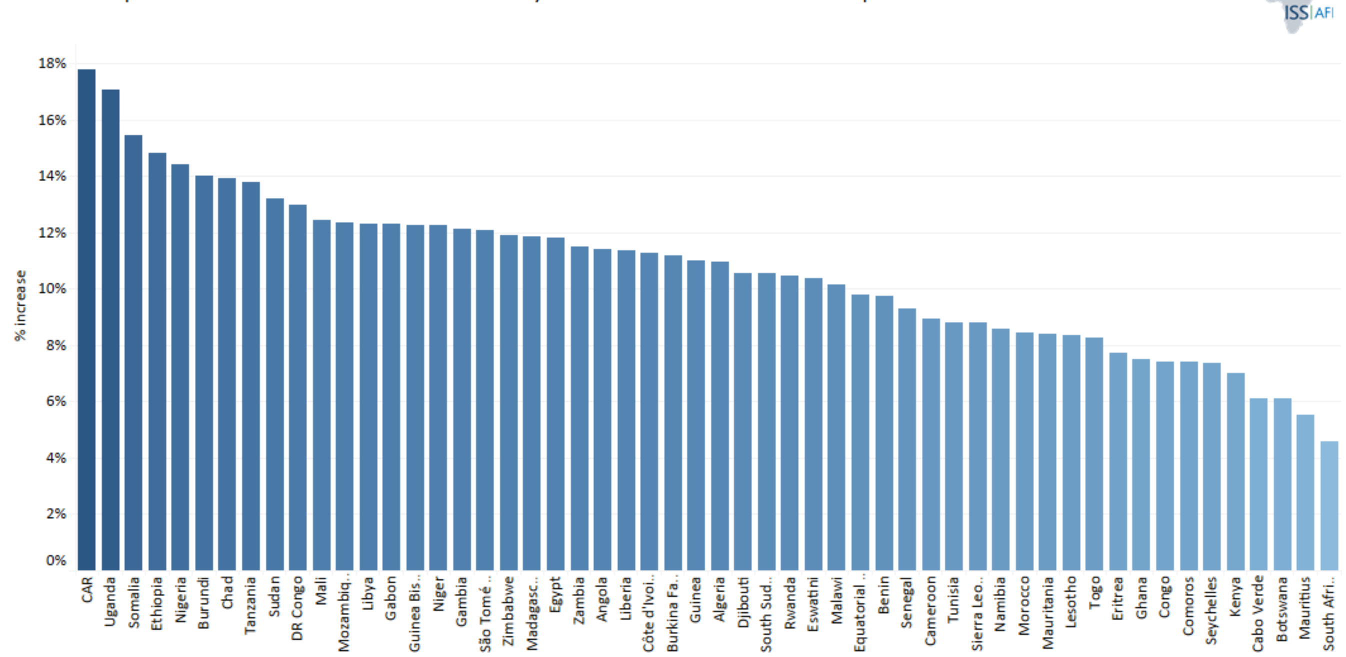
The traditional forms of social grant systems consisted of old-age pensions, disability grants, child support grants and forster care grants. In this theme the focus is on a government program that provides financial assistance (cash) to poor people. The advances in digital technology, with biometrics and its incorporation into identification systems, means that a social grant system can be set up rapidly and relatively cheaply, although the political and practical challenges should not be underestimated. Previously government efforts often focussed on subsidies, particularly for fuel (such as in Nigeria), bread and basic foodstuffs (in many North African countries) but the benefits did not always reach the intended beneficiaries, was prone to abuse and was dependent upon the availability of sufficient foreign exchange.

Direct cash transfers has many advantages such as transactions in local currency (as opposed to subsidising fuel imports that are bought using foreign exchange) although, if provided over extended periods can lead to dependency and reduce the incentive to undertake or seek employment.

In Egypt, for example, the Takaful (Solidarity) and Karama (Dignity) cash transfer programme was launched in 2015 and covers 3.69 million households—approximately 12.84 million individuals, or 13% of Egypt's population. The programme was originally introduced to cushion the impact of Egypt's ambitious 2014 economic reform programme, which included the removal of energy subsidies, the adoption of a flexible exchange rate and the introduction of a new value-added tax. The government has also scaled up its social protection programmes. The Takaful (Solidarity) part of the programme provides modest, unconditional monthly pensions to the elderly and disabled citizens, while the Karama (Dignity) part provides conditional income support aimed at increasing families' food consumption, reducing poverty, encouraging families to keep children in school and providing them with healthcare.

The impact of the scenario on the combined government index (the average of improvements in security, capacity and inclusion) is presented in Chart 19. The data is presented as the per cent increase in governance for each African country in 2043 compared to the Current Path forecast for that year. Unsurprisingly the countries that gain the most include Central African Republic, Somalia, Ethiopia, Nigeria, Togo, Somalia, the DR Congo and Chad, whereas Comoros, Seychelles, Kenya, Botswana, Cape Verde, Mauritius and South Africa gain the least.

Chart 19: Improvement on the IFs Governance index by 2043: Governance scenario compared to the Current Path forecast

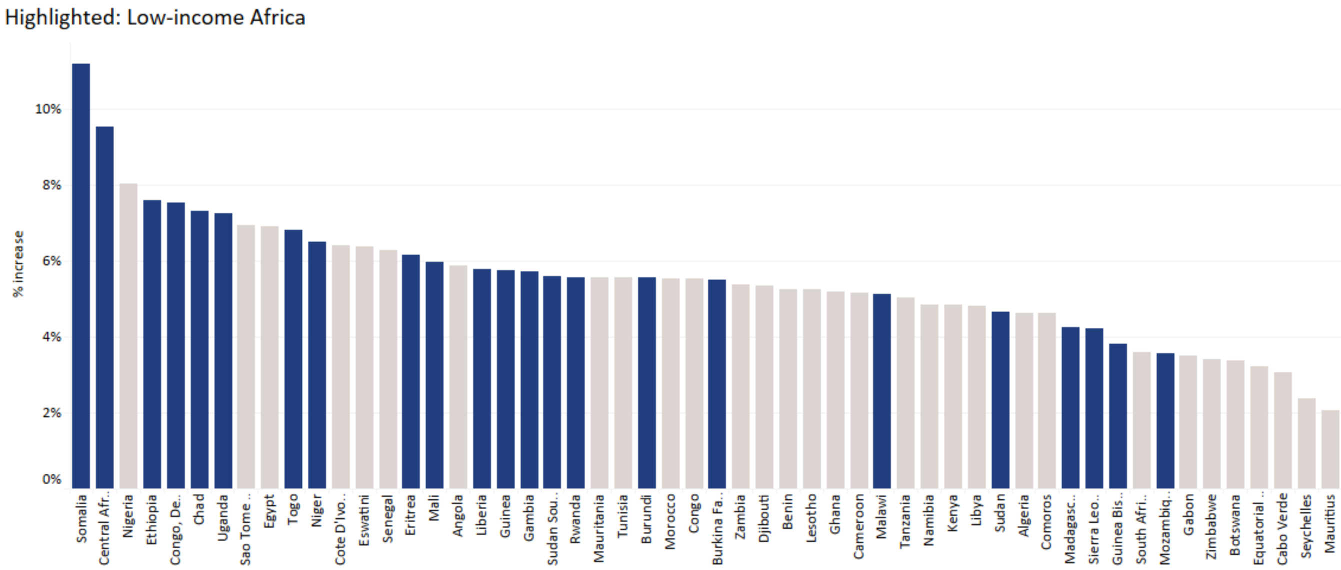


Source: Governance index in IFs 7.84

The scenario shows that more stability, capacity and inclusion would translate into more rapid economic growth in Africa. In the Governance scenario, the size of the African economy by 2043 will be US$972.5 billion larger than in the Current Path forecast (in market exchange rates). This is equivalent to a 11.5% improvement. Given its large economy, Nigeria would gain the most (US$208 billion or 14% larger), followed by Egypt (US$130 billion or 13% larger), South Africa (US$872 billion or 11% larger) and Ethiopia (US$51 billion or 14% larger) and. Expressed as a per cent improvement, the economy of Uganda gains most from the Governance scenario with a 2043 economy that is 16.4% larger than in the Current Path forecast, followed by Nambia with a 15% improvement. South Sudan gains the least — only 7%.

Chart 20 presents the impact of the Governance scenario on GDP per capita in PPP for each African country compared with the Current Path forecast in 2043. The data is presented in the per cent improvement achieved in 2043. Improvement ranges from 12.5% in Namibia (an improvement of US$1 998), 11% in Uganda (an improvement of US$542) and Eswatini (an improvement of US$1 819 or 10.4%) to 4.6% in South Sudan (US$203). On average, GDP per capita improves by 7.9% by 2043, an increase of US$510 (US$7 618 instead of US$7 062).

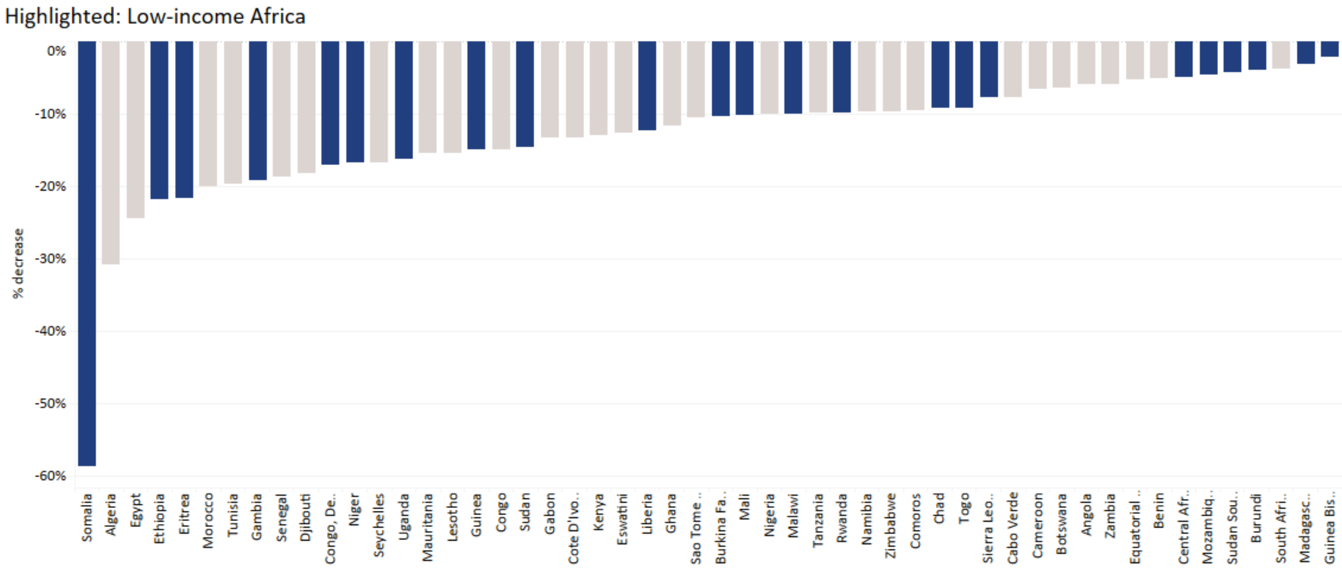
Chart 20: Difference in GDP per capita in Governance scenario compared with Current Path in 2043



Source: IFs 7.84 initialising from UN WPP medium-variant life expectancy and WDI data

The Governance scenario reduces the number of extremely poor Africans (using US$1.90) by 45.5 million in 2043, equivalent to a difference of 2 percentage points. Somalia, Nigeria and CAR experience the largest reduction at almost four percentage points by 2043. Given its large numbers of extremely poor persons, it is no surprise that Nigeria gains the most, followed by the DR Congo. The DR Congo would, in 2043, have 4.7 million fewer persons living in extreme poverty, and Nigeria would have 14.2 million fewer extremely poor persons.

Chart 21: Reduction in extreme poverty in Governance scenario compared with Current Path in 2043



Source: IFs 7.84 initialising from UNPD WPP estimate, WDI population data and PovcalNet World Bank data

Endnotes

1. Previously known as the State Failure Task Force.
2. GEM has subsequently been replaced with the Gender Development Index (GDI) and the Gender Inequality Index (GII).

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About the authors

Dr Jakkie Cilliers is the ISS's founder and former executive director. He currently serves as chair of the ISS Board of Trustees, head of the African Futures and Innovation (AFI) programme at the Pretoria oce of the Institute, and is an extraodinary professor at the University of Pretoria. His 2017 best-seller Fate of the Nation addresses South Africa’s futures from political, economic and social perspectives. His three most recent books, Africa First! Igniting a Growth Revolution (March 2020), The Future of Africa: Challenges and Opportunities (April 2021), and Africa Tomorrow: Pathways to Prosperity (June 2022) take a rigorous look at the continent as a whole.

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