Have economic growth and the quality of governance contributed to poverty reduction and improved well-being in African countries?

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Abstract

This study examines the impact of economic growth and quality of governance on poverty and well-being in African countries for the period 1996-2016. The static panel estimation method is used to estimate the equations. Although economic growth does not seem to have an effect on poverty, the results confirm that this growth leads to improved well-being in West Africa. Although corruption and the quality of regulation have been found to increase poverty, improving government efficiency appears to reduce levels of poverty. Similarly, the results also show that corruption and government effectiveness are associated with a deterioration of welfare, but the rule of law and the way and responsibility seem to improve well-being. This study shows that governance indicators in African countries address the issues of poverty and improving well-being. Economic growth has been cited as one of the main drivers of poverty reduction, and the persistent problem of poverty in African countries has raised doubts about the effectiveness of economic growth. Recent evidence has shown that growth in Africa has been accompanied by an increase in poverty. Increasing poverty can slow the improvement of well-being and create social unrest. The quality of governance can also influence the extent to which economic growth reduces poverty. This study shows that improvements in these institutional (government efficiency) and legal (rule of law) measures tend to decrease levels of poverty and increase well-being.

Key words: Economic growth, Governance indicators, Poverty, Well-being, Regional economic integration, Africa

1. Introduction

According to the World Bank, sub-Saharan Africa is considered the group of the poorest countries and the rate of growth of GDP per capita low. Except for a few countries, Mauritius, Botswana and Namibia, the other countries are caught in a serious poverty trap, with about half of the population living below the absolute poverty line of $ 1 a day and many poor people are steadily increasing (World Bank (2003)). The severity of poverty in Africa is evidenced by the fact that about 22 out of the 25 poorest countries in the world are in Africa and 320 million out of a total population of 1.2 billion live on less than $ 1 per day and resident in Africa (World Bank, 2003). In contrast to most parts of the world, poverty in Africa has been rising, despite a rising trend in the real growth rate over the last five years (ECA (2005)).

According to the World Bank, the growth rate of GDP per capita in South Asia in 2007 before the global financial crisis was about 7.5%. However, despite its remarkable development in recent decades, levels of poverty in South and East Asia have remained very high. As a result, poverty reduction has been at the center of development debates, with the Millennium Development Goal of halving the percentage of people living on less than $ 1 a day by 2015, and describes eight axes. Achieving these goals would contribute to human development and poverty reduction. While on the world average, the incidence of poverty decreased from 40% in 1980 to 20% in 2003, paradoxically in sub-Saharan Africa, it went from 44.6% to 46.4% (ECA (2005)).

Among the factors in poverty reduction is economic growth, widely cited as important in improving the lives of the poor (Adams (2004) and Dollar and Kraay (2002)). Many economists argue that economic growth, by increasing per capita income or spending, can improve the situation of the poor (Adams (2004), Dollar and Kraay (2002), Kraay (2006)). However, this view has been debated for many years, with other researchers arguing that growth and globalization have led to increasing income disparities, thus impeding the rate of poverty reduction (Ravallion (2001) and Ravallion and Chen (2007)). It is therefore important to re-examine the relationship between economic growth and poverty.

At the same time, it is also possible that the rate of poverty reduction is affected by the quality of institutions (Chong and Caldeon (2000), Chong and Gradstein (2007), Tebaldi and Mohan (2010)). The good governance strategy has become crucial for poverty reduction (Grindle, 2004). According to Gough, Wood and Bevan (2004) the lack of effective and efficient state and market institutions in many developing countries is the main obstacle to development. To overcome these difficulties, Gough and his colleagues argue that good governance of these institutions is a necessary condition for development.

Institutional quality is said to influence the level of poverty through market inefficiencies and misallocation of resources (Tebaldi and Mohan (2010)). Keefer and Knack (1997) argued that the poor quality of institutions compromises the security of property rights. Taking as an example the bureaucratic quality, the poor quality of the civil servants of the administration, associated with the institutional restrictions imposed on them lead to a greater error in the administrative decision making. This reduces the predictability of government decision-making, thereby reducing the security of ownership and contractual rights (Keefer and Knack (1997)). Uncertainty over property rights can discourage foreign investment and depress economic growth, which in turn can reduce the rate of poverty reduction. Weak institutions can also have an adverse effect on inequality (Chong and Gradstein (2007), Chong and Calderon (2000)).

Studies of the impact of economic growth and quality of governance on poverty reduction and improved well-being have obtained data from countries in several regions. However, it would be interesting to look at economic growth and the quality of governance and its effect on poverty and improved well-being across African regions, as there may be associated regional and cultural differences to the nature of governance.

The purpose of this study is therefore to examine the effects of economic growth and the quality of governance on poverty and the improvement of well-being in African countries, for the period 1996-2016, using the static panel method. More specifically, this study aims to answer the following questions:

1. What is the impact of economic growth and governance indicators on poverty in African countries?
2. Does economic growth and governance indicators improve well-being?
3. Are there differences between African regions?
4. What indicator of governance will be favored to boost poverty reduction and improve well-being?

The rest of his papers are organized like this: we examine past and present literature on the relationships between growth, governance, poverty and well-being. Then we will present the econometric approaches used in this paper. Empirical results, as well as analysis and discussion of results. The paper concludes with a conclusion and political implications.

2. Literature Review

2.1. The relationship between economic growth and poverty

The research of Dollar and Kraay (2002) is one of the main studies supporting the argument that economic growth would have played an important role in reducing poverty. Their findings reveal that economic growth is expected to increase the incomes of the poor and reduce poverty, suggesting policies and institutions conducive to growth would bring benefits equal to the poor and all other members of society. Kraay (2006) has shown that much of the change in the evolution of poverty could be associated with the growth of average incomes. Its results underscore the importance of economic growth in reducing poverty.

Adams (2004) shows no particular relationship between economic growth and income inequality, implying that poverty should decline with economic growth. Eastwood and Lipton (2001) claim that there were many exceptions where economic growth did not help the poor. Donaldson (2008) showed that the incomes of the poor did not increase despite rapid economic growth. With some exceptions, the incomes of the poor have increased despite negative economic growth. Basu and Mallick (2008) examined the benefits of economic growth may not have benefited the poor when they were considered over a long period. Balisacan et al (2003) found no evidence of an individual match between the average income of the poor and overall average income and concluded that growth may not be sufficient.

Dahal, Nepal and Aryal (2003) examined the crucial relationship between economic growth and poverty reduction in developing countries, particularly in the context of globalization and liberalization. Roemer and Gugerty (1997) have shown that changes in the income distribution occur only very slowly, and that a policy aimed at redistributing income at the expense of economic growth may have gains in terms of poverty. The study examines whether economic growth tends to reduce poverty. The analysis shows that an increase in the growth rate of GDP per capita results in an increase in the growth of the average income of the poorest.

Grammy and Assane (2006) examined the interaction between income distribution and growth to reduce absolute poverty. They find that improving income distribution is the key factor in reducing poverty. In summary, we identified three main factors contributing to poverty reduction:

-Improving the distribution of income is fundamental for poverty reduction.

- growth accompanied by an improvement in income distribution is more effective than growth and distribution alone.
-the availability of civil liberties and political rights allows people to participate more actively in the reduction of poverty.

2.2. The relationship between governance quality and poverty

Very few studies have examined the relationship between governance and poverty. Among them, Chong and Calderon (2000) studied the measurement effect of institutions on the incidence of poverty. The authors indicated that the higher the quality and effectiveness of a country's institutions, the lower the level, the incidence of poverty. Tebaldi and Mohan (2010) found a negative relationship between institutions and poverty. Their findings suggest that control over corruption, the quality of regulation, the rule of law and government effectiveness have a greater negative impact on poverty in relation to voice and responsibility. Political stability does not seem to have an impact on poverty reduction. Gupta, Davoodi and Alonso-Terme (2002) concluded that corruption has a negative effect on the income growth of the poor. According to their results, an increase in corruption is associated with a reduction in the income of the poor.

Hasan et al (2007) reported that the governance variable appeared to be insignificant in poverty. Nevertheless, the coefficient of the governance variable still took a negative value, suggesting that better governance is more likely to be associated with lower levels of poverty. Musharat (2011) examined institutional quality to make public funds available to reduce poverty and inequality in developing countries. This study aims to examine the importance of institutional quality, transportation efficiency and spending to reduce poverty and inequality in developing countries. The results show that much of the quality of institutions aims to reduce poverty and inequality in poorly governed countries, and that the quality of institutions also makes public spending more effective in reducing poverty and inequality. Therefore, improving the quality of institutions aims to ensure good governance and support the poorest people, within the framework of social security, education and health care, these services can be a way important to eradicate poverty and reduce inequalities more effectively in developing countries.

Kpodar (2006) examined how financial development is beneficial for poverty reduction by promoting economic growth. At the same time, however, the financial instability that accompanies financial development is detrimental to the poor and mitigates the positive effect of financial development on poverty reduction. Herrera, Razafindrakoto and Roubaud (2007) showed the population's support of democratic principles, respect for civil and political rights and confidence in the political class; the "need for the state" in particular, the poorest; the measure of petty corruption; the reliability of expert surveys on governance; perception of decentralization policies at the local level; the level and vitality of social and political participation, etc.

According to Kwon and Kim (2014) the deadline for achieving the Millennium Development Goals (MDGs) is important. The results so far have been mixed. The logic of the policy states that "good governance" leads to the reduction of poverty. It has been adopted by international agencies in pursuit of the MDGs. This causal link is examined through an estimation of empirical data using global governance indicators and the poverty rate in ninety-eight countries. Empirical evidence does not suggest that good governance leads to poverty reduction. Good governance only reduces poverty in middle-income countries, not the least developed. These findings underscore the need to develop policies that directly address poverty rather than indirect instruments, and highlight the urgent need to address structural inequalities in developing countries.

Devangi and Lee (2013) have studied the effects of economic growth and quality of institutions on poverty and income inequality for a sample of nine countries in East and South Asia. Their results confirm that economic growth has been cited as one of the main factors behind the reduction of absolute poverty. The persistent problem of poverty in developing countries has raised doubts about the effectiveness of economic growth in reducing it. Recent data have revealed that growth in Asia has been accompanied by a relative increase in poverty, or income inequality.

High income inequality can slow down the pace of poverty reduction, and create social unrest and anxiety. The quality of institutions can also influence the extent to which economic growth reduces poverty. If economic growth does not seem to have an effect on income inequality. The results confirm that this growth leads to the reduction of poverty. While improvements in the stability of government and order can reduce poverty, the rising level of corruption, democratic accountability, and bureaucratic quality appear to increase levels of poverty. Similarly, the results also show that improved corruption, democratic accountability and bureaucratic quality are associated with a deterioration in income distribution.

3. Methodology

3.1. Variables

The main variables that we use to explain the impact of economic growth and governance on poverty and well-being are the growth rate of GDP per capita, the six indicators of governance, as measured by (Voice and responsibility, Political stability and absence of violence, Government effectiveness, Regulatory quality, Rule of law and Corruption control), household consumption expenditure (the poverty rate indicator) and the human development indicator (the good be). The set of variables are defined as follows:

GDP per capita: It is measured by the annual growth rate of GDP per capita.

Voice and responsibility; (RESP): measures the probability of civil and political freedom and the independence of the media in each country.

Political Stability (STAB): measures the likelihood of a government being exposed to violence against terrorism or serious threats.

Government Effectiveness (EFFECT): This is a purely institutional indicator developed to measure the quality of public service and administration.

Regulatory Quality (REG): measures the obstacles that threaten the functioning of the market.

The Rule of Law (RULE OF LAW): measures the ability of society to have a healthy environment characterized by fair and predictable rules.

Corruption Control (COR): measures the use of power available to a public official for personal gain.

Poverty (P): this is the dependent variable of our model, it is measured by household per capita consumption expenditure.

Well-being: Measured by the Human Development Index (HDI)

3.2. Sample

Our study covers the period from 1996 to 2016 in African countries. One of the objectives in this article is to study the differences between regions in the relationship between economic growth, governance, poverty and well-being.

Central Africa: Angola, Burundi, Cameron, Republic of Central Africa, Chad, Republic of Congo, Democratic Republic of Congo, Equatorial Guinea, Gabon, Sao Tome and Principe, Rwanda.

West Africa: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo.

Southern Africa: Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia, Zimbabwe, Namibia, South Africa, Mauritius, Democratic Republic of Congo, Madagascar, Seychelles.

East Africa: Djibouti, Eritrea, Ethiopia, Kenya, Somalia, Uganda. Burundi Rwanda.

North Africa: Tunisia, Algeria, Egypt, Libya, Morocco, Mauritania.

3.3. Regression model

This study examines the following equations:

$$P_{it} = \alpha + \beta_1 GDP_{it} + \beta_2 STAB_{it} + \beta_3 COR_{it} + \beta_4 EFFECT_{it} + \beta_5 RULE\ OF\ LAW_{it} + \beta_6 REG_{it} + \beta_7 RESP_{it} + \varepsilon_{it} \quad (1)$$

$$IDH_{it} = \alpha + \beta_1 GDP_{it} + \beta_2 STAB_{it} + \beta_3 COR_{it} + \beta_4 EFFECT_{it} + \beta_5 RULE\ OF\ LAW_{it} + \beta_6 REG_{it} + \beta_7 RESP_{it} + \varepsilon_{it} \quad (2)$$

4. Analysis of the results

4.1. Poverty, Growth and Governance

Table 1 : Robustness analysis of the relationship betwen economic growth, governance indicators and poverty in Africa

The variables	Coefficient	P(t)
GDP	-0.189	**-3.65*** **
Stab	-0.520	-0.62
Cor	-4.321	**-2.51** **
Effect	8.200	**3.74*** **
RULE OF LAW	3.183	1.47
Reg	-1.255	-0.69
Resp	1.843	1.17
Constant Nb Observation R^2	79.502 903 0.04	64.62***

*** Significant at 10%; ** Significant at 5%; *** Significant at 1%**

Table 2 : Robustness analysis of the relationship betwen economic growth, governance indicators and poverty in African regions

The variables	Central Africa	West Africa	Southern Africa	Esat Africa	North Africa
GDP	**-0.224 (-2.64)*** **	-0.053 (-0.61)	**-0.461 (-3.00)*** **	0.145 (0.77)	-0.478 (-1.01)
Stab	-2.143 (-1.20)	-2.353 (-1.28)	1.001 (0.63)	**-4.943 (-4.22)*** **	-3.099 (-1.14)
Cor	1.217 (0.29)	5.389 (1.49)	**-11.082 (-3.84)*** **	**-8.846 (-4.29)*** **	8.153 (0.96)
Effect	**15 .902 (3.73)*** **	**-12.081 (-2.37)** **	**18.726 (4.88)*** **	**9.466 (2.84)*** **	-6.368 (-0.96)
RULE OF LAW	-2.066 (-0.37)	**20.613 (4.50)*** **	**-9.352 (-2.49)** **	3.682 (1.39)	**21.366 (3.34)*** **
Reg	**-11.233 (-2.85)*** **	0.363 (0.08)	-4.497 (-1.57)	-1.188 (-0.45)	3.701 (0.80)
Resp	5.314 (1.34)	**6.145 (2.07)** **	-4.931 (-1.54)	**-3.584 (-2.00)** **	-0.428 (-0.09)
Constant	74.910 (17.01)***	94.736 (32.10)***	69.529 (15.00)***	72.773 (40.78)***	68.214 (16.89)***
Nb Observation	209	234	285	103	106
R^2	0.13	0.20	0.16	0.39	0.003

*** Significant at 10%; ** Significant at 5%; *** Significant at 1%**

Table 1 and 2 present the results of the estimate for equation (1) by the static panel method, which measures the effect of economic growth and governance indicators on poverty in Africa. According to the estimation results, there appears to be a negative and statistically significant link between per capita GDP growth and poverty in Africa, Central and Southern Africa, but is not significant in West Africa, South Africa and Africa. East and North Africa. When per capita GDP growth increases by 1%, household consumer spending decreases by

0.189 points in African countries, 0.224 points in Central Africa and 0.461 points in Southern Africa. In other words, economic growth can lead to an increase in poverty. These results are not consistent with the results of studies by Adams (2004), Dollar and Kraay (2002) who concluded that economic growth was beneficial for the poor.

According to previous research, the poor quality of governance, as measured by high levels of corruption, weak judicial systems and poor bureaucratic quality, tends to exacerbate poverty (Tebaldi and Mohan (2010)). Consistent with previous literature, the results of the estimation of the use of governance indicators show that improved governance indicators are associated with reduced levels of poverty. The static panel estimate yields mixed results regarding the effect of governance indicators on poverty. The results reveal that political stability is not significant in Africa and the results remain the same in the regions of Africa except the significant and negative East African countries. Therefore, only the results of these four indicators of governance, corruption in Africa, Southern Africa and East Africa and the rule of law in Southern Africa, the quality of regulation in Central Africa and the voice and responsibility in East Africa, attest to the results of previous research.

The rule of law in West Africa and North Africa is statistically significant and positive at the 1% level. Improving the rule of law can directly increase the incomes of the poor. It was noted that the lack of respect for the rule of law was a major obstacle to the sustainable reduction of poverty in Africa. According to the World Bank (2007) improving access to justice can also strengthen government mechanisms for delivering social services to the poor. On the other hand, Chong and Calderon (2000) found that public order did not explain poverty reduction and concluded that improving laws might have some impact on the poor.

Regarding the variable government efficiency and statistically significant and positive in the countries of Africa, Central Africa, Southern Africa and East Africa but negative in West Africa and not significant in North Africa. Overall, the results show that government effectiveness contributes to poverty reduction in Africa. For the government efficiency variable that is of greatest interest to us in this estimate, it displays a positive and highly significant coefficient at the 1% level. Indeed, an increase in government efficiency of one point increases the level of household consumption by 8,200 points. This means that an improvement in the efficiency of government can be interpreted as a good signal for increasing household consumption and thus reducing poverty. Interestingly, improving government effectiveness can actually reduce poverty. This implies that the institutional variable has a positive and statistically significant relationship with poverty.

In most African countries, most governance indicators are positively and negatively correlated with poverty reduction in the 1996-2016 period. It should also be noted that government effectiveness is likely to play the most important role in explaining poverty reduction.

4.3. Well-being, growth and governance

Table 3 : Robustness analysis of the relationship betwen economic growth, governance indicators and Well-being in Africa

The variables	**Coefficient**	**P(t)**
GDP	0.000	0.46
Stab	0.006	**1.66***
Cor	-0.023	**-2.64*****
Effect	-0.025	**-2.28****
RULE OF LAW	0.073	**6.94*****
Reg	0.008	0.91
Resp	0.023	**3.16*****
Constant Nb Observation R^2	0.504 903 0.04	81.39*** 851 0.13

*** Significant at 10%; ** Significant at 5%; *** Significant at 1%**

Table 4 : Robustness analysis of the relationship betwen economic growth, governance indicators and Well-being in African regions

Les variables	**Central Africa**	**West Africa**	**Southern Africa**	**Esat Africa**	**North Africa**
GDP	-0.000 (-0.69)	**0.000 (2.05)****	-0.000 (-0.79)	-0.001 (-0.83)	0.000 (0.04)
Stab	0.000 (0.11)	**-0.024 (-4.62)*****	0.006 (0.68)	**0.047 (4.90)*****	**-0.027 (-2.10)****
Cor	**-0.081 (-4.62)*****	**-0.028 (-2.12)****	-0.011 (-0.63)	0.006 (0.38)	**-0.151 (-3.88)*****

Effect	-0.007 (-0.36)	**-0.061 (-3.86)*** **	**-0.039 (-1.68)***	**-0.055. (-2.02)** **	**0.116 (3.43)*** **
RULE OF LAW	**0.174 (7.86)*** **	**0.024 (1.63)***	**0.038 (1.61)***	**0.082 (3.77)*** **	**0.097 (2.97)*** **
Reg	**0.044 (2.55)** **	**0.038 (2.74)** **	0.008 (0.42)	0.013 (0.61)	**-0.109 (-4.68)*** **
Resp	**-0.081 (-4.84)*** **	**0.083 (9.36)*** **	**0.046 (2.30)** **	**0.074 (5.03)*** **	**-0.050 (-2.20)** **
Constant	0.505 (27.41)***	0.413 (20.00)***	0.525 (61.24)***	0.573 (38.86)***	0.538 (27.51)***
Nb Observation	198	269	274	103	114
R^2	0.48	0.38	0.05	0.72	0.05

*** Significant at 10%; ** Significant at 5%; *** Significant at 1%**

The results of the estimate that measures the effect of economic growth and governance on well-being. It appears that economic growth does not affect well-being because all estimates of GDP growth coefficients are insignificant except for the West Africa region, which is significant and positive. This result does not corroborate nor the subsequent studies that have shown a positive relationship between economic growth and well-being. Others by, the lack of relationship between growth and well-being corroborates the conclusions. The conclusion that economic growth has no impact on improving well-being. Dollar and Kraay (2002) found that the incomes of the poor tend to increase in proportion to average income growth.

Estimates of well-being and governance also yield mixed results. While political stability seems to explain the explanation for improving well-being in the countries of Africa and East Africa, appears to be negative and significant in West Africa and North Africa, but in the countries of Central and Southern Africa, it is not significant. There appears to be a negative and statistically significant relationship between HDI and corruption in the countries of Africa, Central Africa, West Africa and North Africa and not significant in Southern and Eastern Africa. Regarding government effectiveness, significant and negative in Africa, West Africa, Southern

Africa and East Africa but in the North Africa region, significant and positive and in the African region central, it is not significant.

Regarding the fourth indicator (rule of law) has a positive and statistically significant effect in the countries of Africa, Central Africa, West Africa, Southern Africa, East Africa and North Africa. In other words, improving the rule of law tends to improve well-being. The quality of the regulation has a positive and significant effect in the countries of Central Africa and West Africa, negative and significant in North Africa but it is not significant in Africa, Southern Africa and East Africa. . Finally, the track indicator and accountability, positive and significant in Africa, West Africa, Southern Africa and East Africa and negative and significant in Central Africa and North Africa. They concluded that for African countries, improving the quality of governance could be associated with improved well-being.

These results partly reflect the mixed results observed in previous studies on governance and well-being. Chong and Gradstein (2007) concluded that improving the quality of governance was associated with improving well-being. One possible explanation for improving well-being when levels of political and judicial variables are improved is that improving these measures leads to improved well-being.

In African countries, most governance indicators are positively and negatively correlated with improvements in well-being in the 1996-2016 period. It should also be noted that the rule of law is likely to play the most important role in the explanation of improving well-being.

5. Conclusion and political implication

Using data from African countries for the period 1996-2016, this study examines the effect of economic growth and the quality of governance on poverty and well-being. The research questions of the study are: What is the impact of economic growth and governance indicators on poverty in African countries? Does economic growth and governance indicators improve well-being? Are there differences between African regions? What governance indicator will be favored to boost poverty reduction and improve well-being?

The results of the estimate indicate that economic growth leaves the increase in poverty. It is therefore very likely that economic growth will be accompanied by an increase in the level of poverty. Although previous studies have also shown that economic growth can effectively reduce poverty, it is important to highlight this result in the light of recent debates on the issue and mixed results in the literature. This study examines poverty reduction and improved well-being for the region. As a result, policies for growth should be at the heart of poverty reduction strategies in sub-Saharan Africa. Policies such as openness to international trade, financial development and macroeconomic stability have left the distribution of income and thus contribute to poverty reduction (Dollar and Kraay (2002)).

The estimation also revealed that improvements in institutional variables (government efficiency) helped to reduce poverty, and legal variables (the rule of law) helped to improve well-being. But the interesting conclusions of this study are the positive relations between the efficiency of government and poverty and between the rule of law and well-being. This study shows that improvements in these institutional and legal measures tend to decrease levels of poverty and increase well-being. The findings of this study indicate that improvements in government effectiveness and the rule of law reduce poverty and improve well-being, steps must be taken to improve the quality of governance. Better governance promoting economic growth and poverty reduction and improved well-being. They can also increase the efficiency and effectiveness of delivering social services to the poor.

In light of these findings, we can say that some indicators of governance are clearly related, either positively or negatively to poverty reduction and improved well-being in African countries. Governance is essentially good management of the accumulation and effective allocation of resources, the factor of good governance is an essential element for the reduction of poverty.

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