

# Policy and Institutional Dimensions of Africa's Political Economy in an Age of Globalization

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## Abstract

The advent of political independence allowed most Sub-Saharan countries to determine the appropriate mix of policies and institutions that would enable them to achieve rapid socioeconomic development. But experiences across the continent have so far yielded mixed results, and the search for an effective political economy model in the face of a rapidly globalizing world remains an ongoing challenge for most countries. In this study, we ask why some developing countries seem to be growing much faster and have much better socioeconomic performance than others. Indeed, what macroeconomic policies and institutions should Sub-Saharan countries pursue to enable more sustainable, lasting, and inclusive growth while dealing with the challenges that a rapidly changing political and economic world order present? The study's main intention was to generate knowledge to enhance the efficacy of Africa's political economy and development pathways by identifying alternative macroeconomic policy and institutional options that can be deployed to enable deeper socioeconomic transformation.

**Keywords:** *Policy, Institutional Dimensions, Political Economy, Globalization*

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## **Background to the Study**

Our first key finding is that to date, only 13 economies in the world may be categorized as living examples of high, sustained growth, realizing a gross domestic product (GDP) of at least 7 percent over 25 post-war years. These are Botswana, Brazil, China, Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, Malta, Oman, Singapore, Taiwan, and Thailand (World Bank 2008). Even though only one of these is an African country, these cases collectively demonstrate that fast, sustained growth is possible. Though such growth is critical for building a prosperous Africa, crafting new and more robust macroeconomic policy and institutions will require a clear understanding of past strategies that have worked or failed to work in various parts of the world. Indeed, for Sub-Saharan countries, political and economic renaissance is an issue that has preoccupied development theory and practice alike; various options for achieving such a renaissance have either been proposed or tried out in different countries.

Case studies in the paper show that some Sub-Saharan countries have started realizing impressive growth by deploying macroeconomic policies and institutions appropriate to their own context, demonstrating that the continent's economic renaissance is a big possibility. But there are other countries such as the Democratic Republic of the Congo and Zimbabwe that continue to lag behind for various reasons, most of which relate to poor governance. In the few African countries where significant economic growth has been recorded, it has also not managed to pull masses of people out of poverty (Edigheji 2005; ACET 2014). For example, knowing that countries such as Nigeria and South Africa have become middle-income economies does not reveal a whole lot about the widespread poverty, unemployment, and deep-seated inequalities endemic in both countries.

## **Inclusive Growth Strategies in Africa**

So, a key question: “What can Africa do to ensure inclusive growth?” This study finds that there is need to revisit macroeconomic policy and institutions in Sub-Saharan countries taking into account the lessons from other regions that have performed well such as Southeast Asia. The Southeast Asia experience engenders sharper focus on the role of the “developmental state,” a major ideological rallying point for those who wish to contest the appropriateness of neoliberalism and the Washington Consensus. In essence, we ask: What is the state's appropriate role in the context of a renewed quest for rapid Sub-Saharan growth? To answer this question, we explore the published literature and several case studies to determine what successful and unsuccessful countries have done. We find that most scholars and practitioners agree that the state should play a big role in development planning since there is a link between national policies and long-term economic growth. Though there are some dissenting views that argue that the link between macroeconomic policy and growth is tenuous and difficult to defend in theory, we take the position that in Sub-Saharan Africa, appropriate policies and institutions are important for growth because they determine a country's economic development direction.

We also identify key variables that Sub-Saharan Africa should consider for further growth. These include paying attention to agricultural production and food security; promoting science, technology, and innovation; creating enabling environments for foreign direct

investment (FDI); improving national governance frameworks; ensuring that any international aid provided is well-targeted and used optimally; and most important of all, ensuring broad-based inclusive economic growth. Due to various dissenting voices from scholars who try to disqualify the causal link between good governance and rapid economic growth, even in the face of mounting evidence to the contrary in Sub-Saharan Africa, we take a firm position on good governance. We emphasize that governance lies at the heart of the Sub-Saharan development challenge. Though the contextual factors that lead to political instability may differ from country to country, the poor governance scourge seems to have cut across most Sub-Saharan countries that experience political instability, directly affecting economic growth. Despite realizing significant national economic growth since the late-1990s, most Sub-Saharan citizens' livelihoods have not been transformed and poverty, unemployment, and inequality remain “wicked” challenges. It appears that inequality is endemic in both well-performing and poorly performing economies. The main message from the paper is that the impressive economic growth in several countries should be made sufficiently inclusive so that many people throughout these countries begin to enjoy the access to basic social and economic services and opportunities that the middle and upper classes in the society take for granted. Almost all the case studies in this paper confirm this development aspect.

### **Conclusion and Policy Suggestions**

From the case studies and the broader literature review, key pointers for capacity building begin to emerge. The main growth drivers and macroeconomic planning priority areas outlined in the paper present preliminary pointers for possible capacity building interventions. To begin with, a transformative agenda centered on economic restructuring supported by manufacturing and industrialization to create more jobs and ensure broad-based inclusive growth is necessary for rapid Sub-Saharan growth. Therefore, any meaningful capacity building interventions would have to begin with questioning how best the tenets of such a paradigm can be disseminated among the Sub-Saharan national leadership structures. The paper articulates several other possible capacity building interventions but we feel that ultimately, a needs assessment should be done in the context of each country to determine its specific capacity needs before any interventions can be crafted and implemented. We are convinced that by deploying well-targeted interventions, macroeconomic policies, and institutions, Africa's transformation is reachable.

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