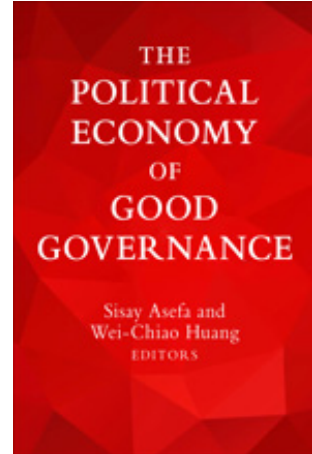


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The Challenges of Good Governance and Leadership in Developing Countries: Cases from Africa and China



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7

The Challenges of Good Governance and Leadership in Developing Countries

Cases from Africa and China

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UNDERSTANDING AND MEASURING GOOD GOVERNANCE FOR SUSTAINABLE HUMAN DEVELOPMENT

The World Governance Indicators (WGI) project, which can be found at www.govindicators.org, defines “governance” as consisting of “the traditions and institutions by which authority in a country is exercised” (World Bank 2014, p. 1). This includes how governments are selected, monitored, and replaced, including their capacity to formulate and implement sound policies, provide public services, and earn the respect of citizens and institutions that determine economic and social interactions (Kaufmann 2010). WGI identifies the following six core governance components: 1) voice and accountability, 2) political stability and the absence of violence, 3) government effectiveness, 4) regulatory quality, 5) rule of law, and 6) control of corruption.

Based on these measures, Nordic states in Europe such as Sweden, Denmark, and Norway have a high standard of governance.

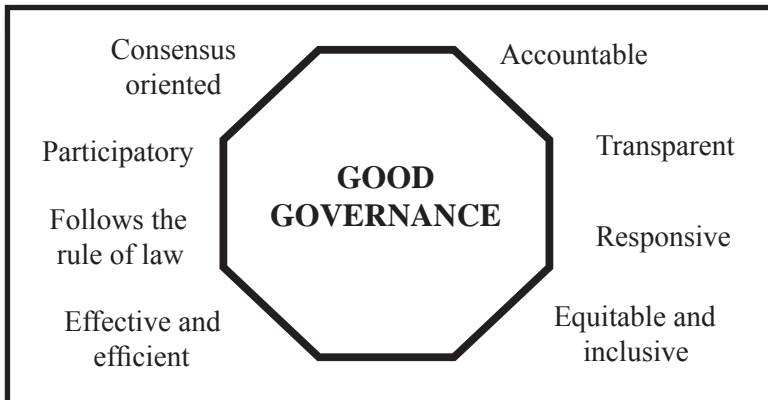
Good governance is rare in Africa, but it exists in a few countries such as Botswana, Mauritius, Senegal, and Ghana. From a development perspective, good governance is a major means for promoting sustainable development, reducing poverty, and maintaining peace. Countries with good governance are efficient in delivery of public services, follow

the rule of law, and have inclusive institutions responsive to the needs of citizens. They are transparent and promote participation as well as show respect for citizens and allow for a free press and for overall freedom of expression. Some typical characteristics of good governance are listed in the diagram shown in Figure 7.1. Autocratic and dysfunctional governments are unable to meet all or some of these commitments.

Good governance also reduces poverty, which can be measured in at least two ways. The income approach is simply based on the number of people below global poverty standards, defined as \$1.25 a day in U.S. dollars. Another, more comprehensive recent innovation in measuring poverty is the Multidimensional Poverty Index (MPI), which disaggregates three components of human development: 1) health, 2) education, and 3) standard of living, as described below:

- Health (measured by two indicators with equal one-sixth weight on the MPI scale): whether any child has died in the household, and whether any adult or child in the family is malnourished.
- Education (measured by two indicators with equal one-sixth weight on the MPI scale): whether no household member completed five years of schooling, and whether any school-aged child is out of school for grades one through eight.

Figure 7.1 A Simple Model of Good Governance



SOURCE: Based on Collier (2007).

- Standard of Living (measured by six indicators with equal one-eighteenth weight on the MPI scale): These deprivations include the lack of electricity; insufficiently safe drinking water; inadequate sanitation; inadequate flooring; unimproved cooking fuel; and the lack of more than one of the following assets—telephone, radio, TV, bicycle, and motorbike.

Table 7.1 compares MPI and income poverty for select countries, including the African nations of Ethiopia, Angola, the Congo, Ghana, Kenya, Niger, Tanzania, and Zimbabwe, along with other developing countries in Asia and Latin America. By MPI ranking, Ethiopia's score of 103 is at the bottom, just above Niger's 104, with 90 percent of its population considered to be multidimensionally poor.

GOVERNANCE, DEVELOPMENT, AND MULTIDIMENSIONAL POVERTY INDEX (MPI) RELATIONSHIPS

Governance, human development, and MPI indicators are linked. Poor governance leads to low MPI; low Human Development Index (HDI), which measures achievement in terms of having a long and healthy life, being knowledgeable, and having a decent standard of living; and high corruption, as measured by the Corruption Perceptions Index (CPI). The following table shows the level and relationships of human development, governance, and the Ibrahim Index of African Governance (IIAG), along with two measures of poverty—1) income and 2) MPI. The measurement ranges are as follows: HDI: 0–1 (0 being the lowest); IIAG: 1–100 (1 being the lowest, 100 the best); and CPI: 10–1 (10 being the lowest, 1 the best) (Table 7.2).

For the African countries listed, Botswana has the best governance ranking (No. 3 by the IIAG measure), while Somalia has the worst governance, with a rank of 52. Using MPI, Ethiopia is multidimensionally the poorest. The HDI for Ethiopia is just above that of Eritrea, 0.36 to 0.35. This means that claims of rapid growth in Ethiopia have not translated into human development and poverty reduction.

IIAG is a comprehensive measure of governance focused on African states based on 57 variables categorized into five indices that include 1) safety and human security; 2) rule of law, transparency, and corrup-

Table 7.1 Comparative Income Poverty and Multidimensional Poverty Measures

Country	Year	MPI value	Multidimensional poverty			Income poverty			
			MPI rank	H_M (proportion of poor)	A (average intensity of deprivations)	\$1.25 a day (proportion of poor)		\$2 a day (proportion of poor)	
						Value	Rank	Value	Rank
Kazakhstan	2006	0.002	7	0.006	0.369	0.031	23	0.172	29
Thailand	2005	0.006	16	0.016	0.385	0.020	1	0.115	20
Ecuador	2003	0.009	24	0.022	0.416	0.047	26	0.128	23
Mexico	2006	0.015	29	0.040	0.389	0.020	1	0.048	16
Brazil	2003	0.039	39	0.085	0.460	0.052	29	0.127	21
Colombia	2005	0.041	40	0.092	0.441	0.160	42	0.279	35
Dominican Republic	2000	0.048	42	0.111	0.433	0.050	28	0.151	27
China	2003	0.056	44	0.125	0.449	0.159	41	0.363	41
Vietnam	2002	0.075	50	0.143	0.525	0.215	50	0.484	51
Indonesia	2007	0.095	53	0.208	0.459	0.075	31	0.490	52
Ghana	2008	0.140	57	0.301	0.464	0.300	57	0.536	56
Zimbabwe	2006	0.174	60	0.385	0.452				
Bolivia	2003	0.175	61	0.363	0.483	0.196	46	0.303	38
Nicaragua	2001	0.211	64	0.407	0.519	0.158	40	0.318	40
Laos	2006	0.267	68	0.472	0.565	0.440	46	0.768	73
Pakistan	2007	0.275	70	0.510	0.540	0.226	53	0.603	59
Yemen	2006	0.283	71	0.525	0.539	0.175	43	0.466	49
Bangladesh	2007	0.291	73	0.578	0.504	0.496	71	0.813	80

India	2005	0.296	74	0.554	0.535	0.416	64	0.756	70
Kenya	2003	0.302	76	0.604	0.500	0.197	47	0.399	43
Haiti	2006	0.306	77	0.573	0.533	0.549	76	0.721	67
Côte d'Ivoire	2005	0.320	78	0.522	0.614	0.233	55	0.468	50
Nepal	2006	0.350	82	0.647	0.540	0.551	77	0.776	76
Tanzania	2008	0.367	84	0.653	0.563	0.885	93	0.966	93
D.R. Congo	2007	0.393	88	0.732	0.537	0.592	79	0.795	77
Madagascar	2004	0.413	91	0.705	0.585	0.678	86	0.896	87
Angola	2001	0.452	93	0.774	0.584	0.543	89	0.900	88
Ethiopia	2005	0.582	103	0.900	0.647	0.390	62	0.775	75
Niger	2006	0.642	104	0.927	0.693	0.659	85	0.856	85

NOTE: "MPI" = Multidimensional Poverty Index.

SOURCE: World Bank (2014).

Table 7.2 Comparative Measures of Governance and Poverty for Selected African States

Country	HDI	CPI	IIAG (%)	Income poverty (MPI) (%)
Ethiopia	0.36	2.7	33 (47)	40 (89)
Eritrea	0.35	2.5	49 (33)	—
Sudan	0.41	1.6	48 (33)	—
Somalia	—	1.0	52 (7)	—
Djibouti	0.43	3.0	49 (49)	19 (29)
Ghana	0.54	3.9	7 (15)	30 (31)
Kenya	0.51	2.2	24 (53)	20 (49)
Botswana	0.63	6.1	3 (78)	30 (—)
Tanzania	0.47	3.0	58 (59)	33 (65)
Nigeria	0.46	2.4	43 (42)	55 (55)
Uganda	0.44	2.4	55 (19)	29 (72)

NOTE: “HDI” stands for “Human Development Index.” “CPI” stands for “Corruption Perceptions Index.” “IIAG” stands for “Ibrahim Index of African Governance.” “MPI” stands for “Multidimensional Poverty Index.” — = data not available.

SOURCE: World Bank (2014).

tion; 3) sustainable economic development; 4) participation and human rights; and 5) human development (education, health, and income). Table 7.3 provides a ranking of scores that are assigned grades based on groups of countries in terms of quality of governance in percentages (ranging from 10 to 100).

THE ROLE OF GOOD GOVERNANCE IN SUSTAINABLE DEVELOPMENT AND POVERTY REDUCTION

Good governance plays an essential role in achieving multidimensional poverty-reduction goals. Economic growth helps to reduce poverty only in good governance states in most cases. Rapid and narrow growth driven by foreign aid can create misery and repression under autocratic governance. Promoting rapid growth cannot reduce poverty unless there is good governance present to design and implement inclusive development policies and social programs to attack poverty directly. Economic development involves economic growth plus struc-

Table 7.3 2006 Ibrahim Index of African Governance (IIAG) Scores for African States

Scores: 100–66	Scores: 65–58	Scores: 57–51	Scores: 50–47	Scores: 46–18
Good: grade A	Above average: grade B	Average: grade C	Poor: grade D	Failed/rogue: grade F
Mauritius 85.1	Malawi 63.9	Mozambique 57.1	Ethiopia 50.9	Eritrea 46.5
Seychelles 79.8	Lesotho 63.3	Mali 55.9	Mauritania 50.8	Gabon 45.6
Cape Verde 74.7	Benin 62.5	Niger 55.5	Zimbabwe 50.4	Central African Rep. 43.6
Botswana 74.1	Comoros 61.9	Cameroon 55.4	Swaziland 50.2	Angola 43.3
South Africa 71.5	Tanzania 61.6	Djibouti 55.2	Burundi 50.0	Sudan 34.2
Namibia 70.9	Madagascar 60.4	Gambia 55.2	Equatorial Guinea 49.2	Chad 33.9
Ghana 70.1	Kenya 59.1	Congo 53.3	Sierra Leone 49.1	Congo 29.8
Gabon 69.4	Rwanda 59.1	Togo 53.0	Liberia 48.7	Somalia 18.9
São Tomé and Príncipe 68.3	Uganda 58.3	Guinea-Bissau 51.9	Nigeria 48.5	
Senegal 66.1	Burkina Faso 58.3		Guinea 47.8	
	Zambia 58.3			

SOURCE: Rotberg and Gisselquist (2007).

tural change toward diversification and a broader participation of citizens in the growth process, including integrated market development. Taking steps away from permanent dependence on subsistence agriculture requires good governance policies such as land reform that secures land ownership for citizens and farmers as well as providing necessary extension services such as farmer education, credit, and improved farming inputs. Positive economic transformation is impossible until a transformation occurs in which political leaders and citizens support socioeconomic and political transformation by cooperation.

ADDRESSING POVERTY TRAPS AND DEVELOPMENT COORDINATION FAILURE WITH GOOD GOVERNANCE

A cross-cutting primary reason for the persistence of poverty and food insecurity traps in Ethiopia and Africa is poor governance at both

the macro and micro levels. The idea of poverty traps goes back to post-war development economics. Swedish Nobel laureate Gunnar Myrdal (1968) called it a problem of “circular and cumulative causation.” A country can find itself in a high fertility trap with rapid population growth that adds to problems of poverty. Population pressures lead to a Malthusian trap, in which a society cannot escape from a subsistence economy because of lack of additional resources necessary to maintain larger population sizes. For example, Ethiopia is the second-largest populated country in Africa; it has more than 90 million people and is growing at an annual rate of 3 percent (Todaro and Smith 2014, p. 4), yet it has a very low ranking on poverty scales. Low-quality expansion of education at all levels creates a low-skills trap that prevents employers from finding skilled workers. Good governance promotes employment by focusing on high-quality education and by creating effective partnerships between employers and universities and colleges through programs such as training internships. Furthermore, requiring better pay for lecturers and teachers helps to retain high-quality teachers, which can transform the quality of education at all levels.

POOR GOVERNANCE AS THE DRIVER OF CONFLICT AND POVERTY TRAPS

The conflict trap, analyzed by Collier (2007), shows how certain economic conditions make a country prone to civil war and to the ensuing cycle of violence, from which it is difficult to escape. His study found that countries are prone to civil war when faced with a combination of low income, dependence on primary commodity exports, and poor governance that is not inclusive, along with high income inequality. A study conducted by the Oslo Peace Research Institute projected peace and conflict patterns globally until 2050. The estimates show a decrease in worldwide violence in general, except in a few countries, which include African states such as Ethiopia and Nigeria. Ethiopia is considered vulnerable on the basis of security, ideological, socioeconomic, religious and ethnic conflicts and how the state responds to these conflicts. Good governance in Africa and Ethiopia can proactively prevent future conflicts and wars. Nigeria suffers from religious-based

extremism waged through violent acts perpetrated by a group called Boko Haram. Its edicts call for no western education for Nigerians, especially women, and the group wants to turn Nigeria, by far the largest country of Africa with a population of 170 million, into an Islamic state. Recently Boko Haram captured 250 girls from a school to sell as modern slaves. Nigeria is rich in petroleum and other natural resources and just surpassed South Africa in terms of gross national product (GNP), but it is one of the most corrupt African states; it cannot even protect its citizens from this violent extremist group, and its survival as a state is in doubt (Gates 2014).

Another development trap is the hunger and health trap, where workers are unproductive because they have insufficient energy, and they earn too little income to purchase sufficient calories and protein to improve their levels of energy and productivity. These traps also lead to hunger and famine, which become more severe if they interlock with other traps to make the cycle more vicious. Cycles of human deprivation can be caused by health problems that the poor cannot address, including mental health problems triggered by stresses associated with living in absolute poverty, hunger, and inadequate housing, which causes exposure to crime. Lack of working capital and credit access traps small business vendors and farmers. This is also a major problem, given that 70 percent of Africans make their living in agriculture. In states such as Ethiopia, the percentage can reach as high as 85. This leads to low sales and income and an inability to acquire financial capital and credit because of the lack of effective microfinancing necessary to address this problem. Still other forms of traps can be caused by community or citizen powerlessness, driven by repressive and autocratic governance (Todaro and Smith 2014).

Environmental and natural resource depletion, including soil and land degradation, also contribute to poverty and conflict traps. In the case of common property resources, overuse of resources because of a lack of secured ownership of property and land rights for farmers and a lack of effective community management of common resources can produce poverty and conflict (Ostrom 1990). Lakes and rivers may be overfished, forests may be destroyed, and pasture land overgrazed. Traditional community management of common resources can break down if foreign private investors are driven by or aligned with dictatorial regimes. The land or soil erosion and deforestation trap is one that

the poor encounter because of an urgent need to grow more food, and it may lead to overuse of the land or the soil, even though they are aware that the result will be reduced soil fertility, hence a decrease in productivity in future seasons. Thus, farmers may be trapped into a cycle of low productivity, which is exacerbated by the lack of appropriate sustainable technology. This results in a practice called “soil mining,” in which they have no choice but to deplete that resource.

Government support for improved technology and research could ameliorate this dilemma. For example, there is evidence of a poverty trap among farmers in Ethiopia, particularly in the banana-growing region and the densely populated highlands, and to a lesser extent even in the pastoral communities of the lowlands. It is vital that research continue to uncover a pattern of natural land degradation and deforestation that has taken place since the widespread confiscation of land in 1975 by a military junta.

LACK OF GOOD GOVERNANCE AS A DRIVER OF CORRUPTION TRAPS

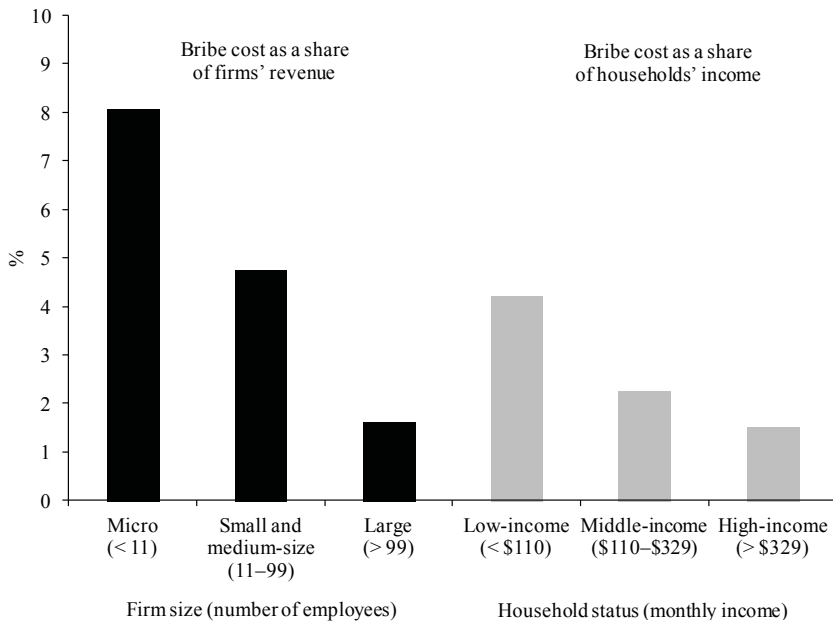
Promoting good governance that is accountable, transparent, honest, and participatory, that guarantees economic freedom—i.e., the right of citizens to freely exchange goods and contract with each other in business—and that is based on secured property rights, including land rights, is crucial for the progress of Ethiopia and for all of Africa. This is only possible by moving forward with constitutional reforms that place limits on government officials to prevent the abuse of power, guarantee economic freedoms, and control the negative incentives that drive corruption. A clear legal delineation and separation of public political activities from private economic activities is necessary to reduce corruption.

Corruption can be defined as postconstitutional opportunism aimed at getting benefits for individuals or a group at the expense of society. Once a constitution is adopted, there is an incentive on the part of groups to benefit through capture of the state’s redistributive power. One form of corruption, called “rent seeking,” occurs when individuals and groups expend resources to negatively affect the distributional

outcome. Effective control of corruption must be based on institutional and constitutional reforms to constrain the ability of the state actors to intervene in private and market transactions. Tackling the problem of corruption, or the abuse of public trust for private gain, is not possible by simply jailing corrupt individuals without changing the incentives for corruption. It is imperative to create a constitution with checks and balances and rule of law. Where corruption exists, the effects typically fall disproportionately on the poor, since the cost of bribes is felt more severely by the poor than by the rich, and on small firms, since they feel the pinch more than large firms do (Figure 7.2).

Overall, the reasons that states with poor governance fail stem from many factors. Failing states may be more rigid in decision making, and they may lack the capability to administer detailed plans. Bureaucratic obstacles may block private-sector initiatives and innovation. It is hard to replicate a private-market incentive system within a govern-

Figure 7.2 Disproportionate Effects of Corruption on Small vs. Large Firms and on Poor vs. High-Income Households



SOURCE: Kaufmann, Zoido-Lobaton, and Lee (2000).

ment. Branches of government may also be poorly coordinated and lack effective oversight. Excessive state controls may cause black markets to expand through increased incentives for rent seeking and corruption.

Development planning may be manipulated by small, privileged groups for their own benefit. Combinations of the above factors make it very difficult for a state to function effectively and to maintain a sense of societal order.

BUILDING POLITICAL AND ECONOMIC INSTITUTIONS FOR GOOD GOVERNANCE

Effective and inclusive institutions provide “rules of the political and economic game” of human interaction. They provide foundations of a market economy, including secured property and land rights, contract enforcement, economic coordination, restriction of coercive or fraudulent behavior, and provision of access to opportunities for the broad participation of citizens. They do this by constraining the opportunist power of elites through the use of checks and balances. Successful governance includes managing conflict, providing social insurance, and fostering predictable macroeconomic stability. The conditions of well-functioning, inclusive market institutions for good governance include the following: clear and secured property rights, effective laws and courts, freedom to establish businesses, a stable currency, public supervision of natural monopolies to manage externalities (i.e., positive or negative spillover effects), transparent provision of credible public information to citizens, stable monetary and fiscal policy instruments, and social safety nets for those on the street, such as the homeless and beggars.

Political parties are necessary but not sufficient for good governance. No society can expect stability and democracy in a place where autocratic government derives its power through ethnically, racially, or religiously exclusive membership motivated by divide-and-rule politics. The historic experiences of countries and societies who have ruled by such groupings make this clear. A case in point in Africa was a racial or ethnic minority-rule system known as “apartheid,” which collapsed in South Africa in 1994 after having created serious socioeconomic

inequality in wealth and education. South Africa today is struggling to be a multiethnic democratic state and to overcome that legacy of divide-and-rule. Although the majority-black South Africans may have political power because of free elections, the legacy of income and wealth inequality persists and contributes to serious property-related crimes, such as violent robbery and murder along racial and ethnic lines.

Social science studies show that the best way to manage a potential ethnic conflict is through a representative civic-based democracy, one that is open to inclusive participation of citizens in politics. In such an open democratic society, Barack Obama, a man with roots in Africa, has risen to become president of the most powerful democratic nation in the world, in a place where much wealth was created through African enslavement.

In Eastern Europe, the former Soviet state of Yugoslavia collapsed amid ethnic and political conflict. Yugoslavia, under former president Josip Broz Tito, was a viable and progressive Eastern European state before its own collapse and the collapse of the former Soviet Union in 1991. But when ethnic and religious identity politics were unleashed after the fall of Tito, a vicious ethnic civil war took place, in which the Serbs engaged in ethnic cleansing against Muslims. This was eventually stopped only by the intervention of European powers, led by the United States. Nevertheless, the damaging politics of ethnic and religious identity took their toll. “Revolutionary democracy” is a term that has sometimes been applied to the Balkan conflict, as well as to unrest in Egypt and Ethiopia, but there is no such thing as “revolutionary democracy” in practice, since democracy by its very nature is evolutionary. Democracy is a result of civilized compromise among responsible citizens and politicians over key policies and issues of human development at both the national and local levels. Social democracy, such as the governing system in Sweden, requires a highly educated population with highly developed human capital and takes a long time to achieve. It is unlikely to work in an income-poor country with no middle class or a weak private sector and civil society, and where ethnic and religious conflicts are unsettled. Liberal democracy, adapted to local culture, has the best chance of giving political choices to citizens if two things happen. First, it must be promoted from the bottom up. Second, a middle class economy must grow up to support a strong civic society and private

sector. A country in Africa that has effectively adopted liberal democracy is Botswana.

Botswana today has the best-rated governance on the continent, with the best-managed economy and minimal corruption, resulting in the top per-capita income and Human Development Index in Africa. There are others, such as Ghana, Tanzania, Mozambique, Malawi, Benin, and Senegal, that are moving forward along this line. Multi-ethnic developing countries such as India, Malaysia, and South Africa have opened to democratic majority rule. Ethiopia must learn from these large multiethnic countries. A model for Ethiopia may be India, a large multiethnic Asian country that achieved democratic unity under ethnic and religious diversity, and whose political leaders are freely elected in competitive national and local elections. India's democracy, given its ethnic and religious diversity, has allowed the country to become an emerging economic giant that may compete with China, where political freedom is comparatively less.

Most African rulers oppose liberal democracy for self-serving reasons, since this form of democracy erodes their monopolistic power and forces them to compete and compromise, provided there are checks and balances provided by democratic institutions. "Democratic institutions" are legal and constitutional entities that provide checks on power, such as a free press, an independent judiciary, and competing parties loyal to the nation or its people, with term limits on key power holders. Amartya K. Sen, the Indian Nobel laureate in development economics, was correct when he wrote that "no famine has historically taken place in a country with a free press" (Sen 2006, p. 34).

There are few countries that practice liberal democracy in Africa. As mentioned above, a rare example is Botswana, which is the most economically developed and well-governed country on the continent, with the highest per-capita income, at \$8,000 a year, and the highest human development index (HDI) in Africa. HDI is a composite index of quality of human life that includes income, education, and health. Botswana today is the beneficiary of hundreds of medical and health professionals from Ethiopia and other African countries because of its democratic good governance. Botswana used wealth from diamonds to enhance human development and avoided the "resource curse" problem (the tendency for the finding of rich deposits of mineral resources in a country governed badly or by a dictator to lead to strife and corrup-

tion in that country over control of the resource), whereas other African countries, such as Sierra Leone, Nigeria, Sudan, Liberia, and the Congo, have suffered from conflicts fought over natural resources.

Botswana stands tall next to neighboring Zimbabwe, which is in shambles because of the abuse of power. Its president, Robert Mugabe, is a 91-year-old dictator who refuses to yield power by accepting defeat by the opposition in the last election, and who has held onto rule for 28 years. Zimbabwe is one of the saddest cases of abuse of power by long-term, one-man rule in Africa. Mugabe continues to blame the country's one-time British colonial masters in the former Rhodesia for what is actually damage inflicted by his own government on the people of Zimbabwe. Mugabe could have used his power to make early political and economic reforms, such as land reform. However, in 1988, shortly after taking office, he abolished the main opposition party, headed by former independence fighter Joshua Nkomo, and formed a monopoly, his Zimbabwe African National Union (ZANU) party.

The British colonial rulers departed from Zimbabwe in 1980, leaving the country with a modern infrastructure of standards close to those of Europe, including a vibrant agricultural economy that produced surplus food crops such as maize. The agriculture was based on modern farms and gave food aid to Ethiopia during the famine of 1984–1985. But after Mugabe and his associates took power in 1987, their policies wreaked havoc on Zimbabwe's agricultural economy and its human capital assets. Today, Zimbabwe's economy is destroyed and its currency is worthless; the country has abandoned its national currency and is now using U.S. dollars. Millions of citizens are exiled as refugees to border countries such as Botswana and South Africa.

In general, ethnic-, clan-, and religious-based political parties are not viable in promoting democracy or good governance. They are likely to create both intraethnic and interethnic political conflicts. They cannot be democratic by the very nature of their formation, since they are exclusive and prone to conflict, both within themselves and with other ethnic parties. For example, each ethnic party in Ethiopia today is split into two or more antagonistic groups, which are variously either aligned with the ruling party, exiled, or in rebellion. In contrast, enlightened political leaders can provide effective leadership in cooperation with other multiethnic nationals.

Political groups that continue to exploit the divisions that emerge with the breakup of large African states are likely to create massive destruction. Doing so could risk all that has been built up through the centuries by the successful historic evolution into a nation state. One example is the state of Ethiopia, with its ancient civilization. Ethiopia was the only African country never colonized by European powers. For politicians and leaders, the challenge is to bridge these deep historical and cultural connections for the benefit of all. To act in the narrow interests of one's party can lead to failure. Consider what occurred in Egypt, for example, where the recently elected government of the Islamic Brotherhood, led by President Mohamed Morsi, was overthrown by the combined forces of the military and the citizenry. One reason for his party's failure is that it was not perceived as being inclusive of all Egyptians, such as women, based on its name. Indeed, the very name connotes religious affiliation, which may have caused Egyptians to fear that Morsi would turn Egypt into an Iranian Islamic-style theocracy. Regardless of policy, parties based on religious, ethnic, or clan affiliations will fail in any nonhomogeneous society by creating a divisive environment. Political parties must be inclusive of all citizens in order to succeed.

Elections are a necessary but not a sufficient condition for good governance. Today, the overwhelming majority of Africans strive for better education and health, and they yearn to be free from top-down rule by the political elite. In Ethiopia, there was the experiment of ethnic federalism imposed from the top; this system uses the institutions of the former totalitarian state of the military dictator Col. Mengistu Haile Mariam, which collapsed in 1991 (Mariam 2011).

Ethnic federalism is a form of federalism based on dividing a country along ethnic and linguistic lines. It retards market integration and communication among citizens that share a common culture and heritage. There are powerful pan-Ethiopian traits among the 80-some ethnic groups in Ethiopia, but these traits have been compromised since the 1991 collapse of rule of the military junta. The vast majority of Ethiopians, about 85 percent, make their livelihood in agriculture and want security of land so they can engage in land transactions and use land as collateral to get credits or loans. They desire to be real owners of their landholdings and to get necessary improved inputs, training, credit, agricultural extension, marketing, and technology to improve

agricultural and food productivity. However, they cannot get credit, since they do not meet the legal requirement of land ownership, which would allow them to use land as collateral to get loans. In other developing countries such as South Korea, Taiwan, Japan, and India, private ownership of farmland and flexible free land transactions, including tenancy, have been properly regulated under the rule of law and have created agricultural revolutions. This has transformed agriculture not only by attracting capital and technology but by optimizing farm sizes through flexible markets that promote equity and agricultural productivity and protect natural resource degradation.

GOOD GOVERNANCE FOR EFFECTIVE GLOBAL ENGAGEMENT, FOREIGN INVESTMENT, AID, AND TRADE

All African states, including Ethiopia, can benefit from the kind of good governance that fosters effective regional and global engagement and cooperation. The second-most populated African state, Ethiopia is home to the African Union, the Economic Community of Africa, and a large diplomatic community of national embassies and international organizations such as United Nations offices, as well as nongovernmental organizations, or NGOs. Using good governance, Ethiopia can improve relations with other regional powers, particularly countries in Africa, Asia, and the Middle East. Good governance in Ethiopia and attempts to reach out to these other powers will help prevent conflict driven by dictatorships, assuming the partners also practice good governance.

Since it is landlocked because of the breakaway by Eritrea in 1993, Ethiopia could benefit by promoting good trade relations and cross-border movement of people, commodities, and investment, as well as promoting the regional public good through human security.

For instance, a positive relationship and trade with Somalia would open up the coastline of Africa all along the Indian Ocean for the benefit of both Eritrea and Ethiopia and the entire Horn of Africa.

Furthermore, Ethiopia and other African states can use their large diaspora population of skilled individuals, who can constructively engage their homeland through remittances, investment, and transfer-

ring knowledge and skills through creative academic and business partnership programs. If the diaspora can be enlisted in this way, a major source of human capital will be created that can inject investment and knowledge into all sectors of the economy. Moreover, the diaspora should be encouraged to invest beyond just bonds, into areas such as dam construction, banks, insurance companies, and other sectors like industry, tourism, information technology, and agriculture.

Since around 1991, with the end of the Cold War, some African states, including Ethiopia, opened up to the West and Asia, including the Middle East, North America, and Europe. This reestablished the strong historic U.S.-Ethiopia tie that had been interrupted during the rule of the Soviet-influenced military junta between 1974 and 1991.

It is important to remember that, until the time of the junta, the U.S.-Ethiopia partnership was strongly beneficial for both countries from its beginning in 1903, during the presidency of Theodore Roosevelt, through the next 70 years. Strong national organizations, such as Ethiopian Airlines and the defense forces, including the air force and the navy, benefited from this partnership, which included a large Peace Corps contingent and student exchange programs from which Ethiopians of that generation benefited in terms of a high-quality education. Ethiopia was respected in Africa and throughout the world. The nation was relatively peaceful and united until 1974, when Ethiopia fell under the sway of Soviet Cold War geopolitics and was taken over by a military junta. This junta collapsed in 1991, the same year that the Soviet Union did. It may be possible to reestablish that former U.S. partnership through creative exchanges between Americans and Ethiopians with genuine leadership on both sides. Current and future U.S. governments should invest more in helping to build good governance, institutions for democracy, education, peace, and conflict resolution in Ethiopia, as well as high-quality education and improvements in human rights. Ethiopian academics from the diaspora can transform education and health if allowed an opportunity to do so under creative partnerships.

In terms of the relationship between economic development and foreign aid, there are three main perspectives scholars have expressed on the way foreign aid affects development. The first is that foreign aid has an overall positive impact on economic development, with some exceptions. The second is that aid has little or no effect on development, and in some cases may actually be a hindrance. For example,

the effect of food aid lowers domestic food prices and displaces local food production. The third perspective sees the effect of foreign aid as conditional on the level of good governance. For instance, aid has been beneficial to countries like Botswana, where good governance is high. However, Table 7.4 shows that African countries attract by far the largest amount of global aid, both in dollar amount and in percentage of GDP, and yet that aid has not translated into economic progress. For example, food aid creates dependency by reducing local food production. In particular, the food aid accepted by Ethiopia has impaired that country's local agriculture and food production; consequently, it stands to reason that accepting such aid should be avoided unless there is an emergency.

Ethiopia ranks just above Zimbabwe and below Liberia in the 2012 Legatum Index, a comprehensive measure of governance that includes eight broad indicators of human progress: 1) economy, 2) entrepreneurship opportunity, 3) governance, 4) education, 5) health, 6) safety, 7) personal freedom, and 8) social capital. The complex contributors to low investment and entrepreneurship include corruption, low human capital, fiscal instability, bad infrastructure, low levels of domestic savings, and poor coordination. By enabling entrepreneurship, good governance helps to overcome the lack of productivity from the low investment trap.

Table 7.4 Global and Regional Foreign Aid Distribution

	Millions of US\$	Percent of GDP	Dollars per person
Sub-Saharan Africa	24,144	6.0	34
South Asia	6,169	0.8	4
East Asia and Pacific	7,140	0.4	4
Europe and Central Asia	10,465	0.8	22
Middle East and North Africa	7,628	1.0	24
Latin America and Caribbean	6,153	0.4	12
Low income	32,135	3.0	14
Lower-middle income	21,775	0.5	8
Upper-middle income	3,778	0.2	11
High income	1,273	0.0	1

World Bank (2014).

THE CASE OF CHINA—EXCEPTION TO THE RULE?

In the past three decades China has made impressive economic progress, exhibiting stellar economic growth rates coupled with a significant reduction in poverty and rapid advances in many human development dimensions. On the surface, it seems that China has achieved good governance outcomes even while defying those criteria or indices of good governance mentioned in our earlier analysis and delineated by the World Bank and other organizations. Especially in the areas of voice and accountability and the rule of law, it does seem that China does not meet the criteria of good governance. In addition, the China case appears to counter the common prescriptions that development scholars recommend to developing countries for successful governance and for avoiding potential ethnic conflict and instability—namely, to pursue a liberal democratic institution that is representative and open to the inclusive participation of citizens in politics.

Indeed, China is ruled by an authoritarian regime governed by a single party (the Chinese Communist Party, or CCP) that restricts and suppresses civic participation and elections, political freedom of expression and assembly, and freedom of the press.

However, if we examine the case of China more carefully, we find the principle of voice and accountability actually exists, and that of the rule of law as well, only in different forms rooted in Chinese culture and its long history and civilization. Zhang Weiwei, director of the Center for China Development Model Research, Fudan University, and director of the Institute of China Studies, Shanghai Academy of Social Sciences, argues that China practices economic accountability. Government in China, at all levels, is held accountable for promoting economic growth and job creation, Weiwei (2014) contends, since an official cannot be promoted unless the area under his governance performs well economically.

There is also political and legal accountability (and, to the extent of such accountability, rule of law) because the officials are held accountable and demoted or punished for accidents, such as fires that could have been averted by following proper precautions and regulations. Other crimes, disasters, missteps, policy mistakes, and corruption cases are routinely being exposed.

Weiwei also points out that China's neodemocratic centralism may have some advantage over a collective decision-making process in terms of governing effectiveness. China has institutionalized a procedural accountability for its democratic centralism. Under such a system, a major decision like determining the nation's five-year plan for development takes well over a year of extensive and interactive consultations at various levels of the Chinese state and society. This decision-making process receives inputs from thousands of think tanks, government agencies, universities, prominent scholars, and professionals. The recently adopted decision by the Third Plenum on deepening reforms is a good example in this regard. China's socioeconomic plan-drafting group, chaired by President Xi Jinping himself, solicited opinions from well over 100 institutions across the country and received 2,500 suggestions over a period of six months. About half of these suggestions were accepted. During the consultation process, all of the nation's seven top leaders travel to different regions and provinces of China to make investigations in preparation for the deliberations on the final decision and to learn the opinions of local people. As a result, the decision reflects the broad consensus of Chinese society on many issues such as public health reform, adjustment of the one-child policy, deferred retirement age, banking sector reform, and education reform. China's system of accountability performs better than that of most states around the world, and it achieves this in a country that is rapidly moving toward becoming the world's largest economy in the twenty-first century.

SUMMARY AND CONCLUSION

Good governance for sustainable human development is a multi-dimensional process involving socioeconomic and political transformation of societies; it is aimed at enhancing human progress in all its dimensions, including freedom of political and economic choice. A program of good governance, along with education on how to achieve peaceful transformation and conflict resolution, should be instituted across schools, universities, and colleges to teach citizenship, the qualities of a civil society, and responsible ethical conduct.

In their book *Why Nations Fail*, mentioned in the introduction, the leading institutional economists at the Massachusetts Institute of Technology, Daron Acemoglu and James Robinson, examine the stark contrast in living conditions between the two Koreas, North and South, and also delve into the reasons why Botswana has risen while its neighbor, Zimbabwe, is sinking. Beyond that, Acemoglu and Robinson (2011), looking toward the future, give suggestions for ways in which larger nations like the United States and China can build more sustainable and egalitarian political and economic institutions.

While the issues involved in bringing about positive changes in countries are complex, positive economic development does not in fact have a secret formula. Simply put, successful development requires good governance. Positive instances can be found in East Asia, Europe, North America, and elsewhere. Unfortunately, Botswana is one of the few examples of development through good governance in Africa. The question remains: why have African countries lagged behind other developing nations, such as those of Asia? It is not for lack of natural resources, good climate, or a hard-working people. Most African states plagued by poverty suffer because of government repression. These leaders rely on the instruments of fear and coercion to prevent honest dialogue and freedom of expression. They have, by and large, failed to learn the lessons of the past, both from their own history and from that of successful nations. We hope political leaders will make a different, positive choice, one of building inclusive economic, political, and social institutions in the twenty-first century. The single comprehensive factor that can take Africa as well as states in Asia, the Middle East, and Latin America out of poverty and conflict is democratic good governance, which will positively affect all sectors of the economy.

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