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## Shared Sectoral Growth Versus the Dual Economy Model: Evidence from Côte d'Ivoire, Ghana, and Zimbabwe

*Niels-Hugo Blunch, Dorte Verner*

**Abstract:** Though recently challenged, the dual economy view has affected development economics and development policy, either explicitly or implicitly, for more than half a century. According to this view, agriculture merely serves to build the industrial sector — in particular, agriculture has no role as an engine of growth in the long term. Examining agriculture, industry and service sector growth in Côte d'Ivoire, Ghana, and Zimbabwe over more than three decades, we find little empirical support for this view. On the contrary, our analyses find a large degree of interdependence in long-run sectoral growth, implying that the sectors 'grow together' or, similarly, that there are externalities or spillovers between sectors. Policy implications are also discussed; these include directing more attention towards the interdependencies in sectoral growth broadly defined. In particular, our findings have implications for the design of education and health programs, as well. This improved understanding of inter-sectoral dynamics at all levels may facilitate policy implementation aimed at increasing economic growth — and thereby ultimately improving peoples' livelihoods — in Africa and elsewhere.

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## Structure of Sectoral Decomposition of Aggregate Poverty Changes in Cameroon

*Francis Menjo Baye*

**Abstract:** This paper reviews theoretical frameworks for sectoral decomposition and assesses the within- and between-sector contributions to changes in aggregate poverty in Cameroon informed by the Shapley Value decomposition rule. Between 1984 and 1996 poverty remained a rural phenomenon in Cameroon. It became more widespread, deeper and severer in both rural and urban areas, but more so in urban than rural areas. While the within-sector effects disproportionately accounted for the increase in poverty in the period 1984–96, the between-sector contributions in both rural and semi-urban areas played a mitigating role on the worse effects of the increase in poverty. These findings infer the potential positive feedback effects of migration such as remittances, and/or increases in rural consumption expenditure in the face of rural underemployment, as effective strategies used by migrants to lift their families and villages out of the worse effects of poverty. The implication of this interpretation is that decision-makers need to better understand the factors that push or pull potential migrants. Rural–urban mobility could, therefore, be viewed as a strategy used by households to moderate the worse effects of poverty and a vector of shared growth. The implications for public policy, in terms of open unemployment and associated social and insecurity problems at the receiving end, point to the wisdom of addressing the push-factors via targeting more in favour of rural areas.

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## **Analysing the Poverty Impact of the HIPC Initiative in Cameroon**

*Arsene Honore Gideon Nkama*

**Abstract:** The paper uses the Poverty Analysis Macroeconomic Simulator (PAMS), a World Bank framework and updates its interface with the Cameroon government macroeconomic framework to analyze the potential impact of the implementation of the HIPC initiative on poverty alleviation. According to the main findings, it is very likely that Cameroon would succeed in achieving the poverty Millennium Development Goal. However, this result would be feasible if and only if the Poverty Reduction Strategy Paper (PRSP) is fully implemented. That is not very certain because of the failure already observed during the first year of PRSP implementation.

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## **Institutional Foundations for Shared Growth in Sub-Saharan Africa**

*Machiko Nissanke, Alice Sindzingre*

**Abstract:** The paper examines the dynamically evolving triangular relationships between institutions, growth and inequality in the process of economic development, in order to deepen the understanding of institutional conditions for pro-poor growth and shared growth. In this context, the paper discusses the institutional conditions found in sub-Saharan Africa, which may have produced the growth pattern that is unequal and against the poor. The analysis shows that sub-Saharan African countries require transforming institutions for embarking upon and sustaining a development path which would ensure shared growth in years to come. The paper first evaluates the growth-inequality-poverty nexus, as found in the recent literature, which increasingly challenges the trade-off between growth and equity, as postulated in the traditional theories. Various definitions of pro-poor growth are discussed and a sharper definition of the concept of 'shared' growth is provided. Definitions of institutions are then examined, as well as the triangular inter-relationships between institutions, inequality and poverty. The paper finally analyses specific institutional conditions found in sub-Saharan Africa that prevent economies from emerging out of low-equilibrium poverty traps that are characterized by low economic growth, unequal distribution of income and wealth as well as unequal access to resources and power.

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## Labour Market Flexibility, Wages and Incomes in Sub-Saharan Africa in the 1990s

*Geeta Kingdon, Justin Sandefur, Francis Teal*

**Abstract:** This paper provides an overview of how African labour markets have performed in the 1990s. It is argued that the failure of African labour markets to create good paying jobs has resulted in excess labour supply in the form of either open unemployment or a growing self-employment sector. One explanation for this outcome is a lack of labour market 'flexibility' keeping formal sector wages above their equilibrium level and restricting job creation. We identify three attributes of labour market flexibility. First, whether real wages decline over time; secondly, the tendency for wages to adjust in the face of unemployment; and thirdly, the extent of wage differentials between sectors and/or firms of various size. Recent research shows that real wages in Africa during the 1990s may have been more downwardly flexible than previously thought and have been surprisingly responsive to unemployment rates, yet large wage differentials between formal and informal sector firms remain. This third sense of the term 'inflexibility' can explain a common factor across diverse African economies — the high income divide between those working in large firms and those not. Those working in the thriving self-employment sector in Ghana have something in common with the unemployed in South Africa — both have very low income opportunities relative to those in large firms.

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## Gender Inequalities and Economic Efficiency: New Evidence from Cassava-based Farm Holdings in Rural South-western Nigeria

*Awoyemi Taiwo Timothy, Adetola I. Adeoti*

**Abstract:** It is a widely accepted fact that persistent inequality between men and women constrains a society's productivity and ultimately slows its rate of economic growth. The economy pays for this inequality in reduced labour productivity today and diminished national output tomorrow. Motivated by this, the study aim is to assess the possibilities of enhancing productivity gains by improving the efficiency of small-scale agriculture through gender-responsive intra-household allocation of resources in south-western Nigeria. The study adopts a stochastic parametric decomposition method which yields efficiency measures that are not distorted by statistical noise to estimate the efficiency level of resource allocation by small-scale cassava producers. The results indicate that average overall productive efficiency in the sample was 75.78 per cent, implying that small-scale cassava farmers in the sample could reduce total variable cost by 24.22 per cent if they reduce labour, fertilizer, land and capital applications to levels observed in the changing input mix (technical efficiency) and then obtain optimal input mix for the

given input prices and technology (allocative efficiency). The average technical efficiency and allocative efficiency indexes for the sample were 82.2 per cent and 92.2 per cent respectively. Also, evidence from empirical analysis of data from the male respondents showed that the average economic, technical and allocative efficiency indexes were 88.06 per cent, 89.34 per cent and 78.67 per cent respectively while the same computed for the female sample were 94.9 per cent, 74.85 per cent and 71.03 per cent respectively. Labour was the most limiting factor in cassava production suggesting that the technologies that enhance the productivity of labour are likely to achieve significant positive effects on cassava production. The paper shares the notion that producers' control over the means of production and impact of development are related and has influence on the economic efficiency and growth of society. Again, technical inefficiency constituted a more serious problem than allocative inefficiency, thus most cost savings will accrue to improvement in technical efficiency.

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## **Telecommunications Investment in Africa: Implications of US Reform of the International Settlement Rate System**

*Kwabena Gyimah-Brempong, John Agyei Karikari*

**Abstract:** This paper investigates the possible effects of the US reform of the international settlement rate system on telecommunications investment in Africa. We estimate a telecommunications investment equation using a panel data of 51 African countries during the 1991–2003 period and find that settlement payments have significantly positive effects on telecommunications investment in African countries. A 10 percent increase in settlement payment, on average, increases the telecommunications investment expenditure to GDP ratio by 3.4 percent over a three-year period. Using previously calculated revenue loss from the US reform, our estimates suggest that African countries stand to lose between 4.4 to 11 percentage points of their telecommunications investment in the medium run and with it, possible decreases in income growth rate. However, we argue that African countries can counter the effects of this revenue loss by increasing the efficiency of telecommunications investment through appropriate market restructuring, including the promotion of competition and privatization.

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## **On Public Organizations in Ghana: What Differentiates Good Performers from Poor Performers?**

*Francis Owusu*

**Abstract:** Public sector reform programs implemented across Africa, including the World Bank's 'first' and 'second' generation reforms, are based on the assumption that all public organizations are inefficient. This problematic assumption has had significant implications for policy in Africa. By failing to recognize that not all public organizations perform poorly, we ignore any potential lessons that could have been learnt from the experiences of organizations that have managed to perform effectively under the same social, political, economic and institutional environment. This paper uses Ghana as a case study to examine whether there are significant differences in the characteristics of poor and good performing public organizations. It is found that good and poor performing organizations in Ghana were significantly different in two respects: remuneration and hiring criteria.