Substantial gains in income per capita could materialize if developing economies improved their institutional quality. For example, the April 2003 World Economic Outlook estimated that if the institutional quality in sub-Saharan Africa rose to the level of developing Asia, income per capita would, in the long run, increase by about 85 percent.

Figure 3.1. Institutions and Income per Capita: Impact of Raising Regional Institutional Quality (Percent change)


1 Measured by Kaufmann, Kraay, and Zoido-Lobaton's (1999) aggregate governance indicator. See Appendix 3.1 for details. This figure is not to scale: in particular, the horizontal axis does not accurately capture differences in the quality of institutions. See Figure 3.2 for the actual institutional scores.