# Globalization and Development Problems in Sub-Saharan Africa

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During the last four decades, the developing nations of Sub-Saharan Africa have experienced serious and chronic economic crisis. Currently, the situation is not any better for almost all of them. The region has continued to suffer from stagnant and declining economic growth. The performance of the agricultural sector was so poor that the supply of food production was below the quantity required to satisfy domestic consumption. Some of the nations in this region have experienced devastating drought condition resulting in drastic food shortage and tragic famine.

The rapidly changing global economic, technological, and political conditions seem to have made the situation far more worse for the developing nations in general and Sub-Saharan Africa in particular. The development in electronics technology and the resultant information age have in effect created global village, increasing interdependence among nations, and highly competitive global marketplace.

These changes in the global economic and political environment have significant ramifications both in the developed and developing nations. In the developed nations more resources will be needed to buttress domestic spending to offset the adverse consequences of changing economic situation such as recession, rising unemployment and alike. This leaves little development assistance which is necessary to help the developing nations. Consequently, economic growth has declined, and income, savings and investment have fallen further (World Bank,1995 and 2008).

The purpose of this paper is to explore and highlight how the changing global economic and political environment may have adversely affected the nations in Sub-Saharan Africa. One of the practical lessons that can be drawn from this will be an assessment of the potential pitfalls of over-reliance of the developing countries on external development assistance, and the far reaching ramification of taking such position in the long run.

## Factors Contributing to Economic Stagnation in Sub-Saharan Africa

The factors which may have contributed to the current economic crisis in Sub-Saharan Africa can be broadly grouped as:

1) **Internal and**
2) **external factors**

## Internal Conditions

The internal factors involve those conditions which have their origin more or less within Sub-Saharan Africa. These may include, but are not limited to the following elements.

- **misallocation of scarce resources**
- **neglect of Agricultural Development**
- **unfavorable institutional framework and**
- **adverse ecological conditions.**

## Misallocation of Resources

There is growing evidence that the developing countries in Sub-Saharan Africa are not investing their scarce resources wisely. The resources which are available are usually misallocated to cover unproductive ventures which have relatively lower contribution to economic growth. The pattern of public expenditure during the 1970's and early 1980's indicates that the agricultural sector, which is the back bone of their economy received the lowest percentage of the total expenditures by function. In contrast to this other branches of the government like defense and general services administration received proportionately larger share of the budget (Abatena, 1988).

The same trend has continued during the mid and late 1980's. Defense spending in the region, as a whole, was one and one-half times as much as the spending for the agricultural sector, and almost as much as (0.87%) that for education. The data for a few selected countries indicate even greater disproportionate spending patterns. For a group of eight countries from the Eastern and Western parts of the region, defense spending is more than five times that for agriculture, and more than two times that for education. The pattern is even worse among the poorest countries in the region. For instance, Burkina Faso, Chad, Mali, Somalia and Uganda appropriated substantially more percentage to defense and general government services than to agriculture (see table 1).

**Table 1: Percent of Total Expenditure by Function for Selected Countries in Sub-Saharan Africa**

| Countries | Year | Percent of Total Expenditure by Function | | | | |
|---|---|---|---|---|---|---|
| | | **Defense** | **Education** | **Agriculture** | **Industry** | **Other** |
| Burkina Faso | 1987 | 17.9 | 14 | 5.1 | 2.0 | 16.70 |
| Cameroon | 1989 | 6.7 | 12 | 3.2 | 7.6 | 62.60 |
| Chad | 1984 | 47.0 | 11.0 | --- | --- | 34.53 |
| | 1988 | 8.0 | 9.0 | 1.9 | 0.9 | 29.30 |
| Mali | | | | | | |
| Nambia | 1988 | 11.3 | 6.3 | 2.6 | -- | 32.35 |
| Somalia | 1985 | 23.29 | 6.9 | 7.1 | 1.55 | 51.98 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Tanzania | 1987 | 20.1 | 6.5 | 5.8 | 2.85 | 31.06 |
| Uganda | 1986 | 26.4 | 15.4 | 4.7 | 2.97 | 35.34 |
| Group Average | 1984-89 | 22.6 | 10.1 | 4.34 | 2.98 | 36.73 |
| Sub-Saharan Africa Average | 1982-89 | 12.3 | 14.1 | 8.17 | 5.85 | 36.72 |

Source: The data was computed from O'Donnell, Timothy, et al, (1991). World Economic Data. Santa Barbara CA.: ABC-CLIO.

## Neglect of the agricultural Development

The nations in Sub-Saharan Africa are virtually agrarian society. A very large sector of their economy consists of subsistence mode of production. Considering the fact that the agricultural sector is the major employer of the great majority of the people and it is the major source of export commodities, the neglect of the agricultural simply represents misallocation of scarce resources . It is not realistic to expect significant improvement in economic growth while one of the major sectors, perhaps, the primary sector of the economy is lagging behind due to the lack of sufficient investment

Realistic sustainable development cannot be achieved in Sub-Saharan Africa without agricultural development. Agriculture includes crop production, animal husbandry, fruits and vegetable production, and growing various kinds of cash crops such as coffee, cotton and etc. Agricultural development can boost economic growth, increase food security, provide employment for the rural population, engender investment in the non agricultural sector of the rural economy (World Bank, 2008).

To make this possible, it is necessary to:1)invest in the green revolution innovation, 2)encourage rural community participation, and 3) provide credit and marketing institutions. At minimum the green revolution technology should include cooperative extension service, yield boosting inputs such as fertilizer and improved seed variety, and credit and marketing institutions. Furthermore, agricultural development will require decentralization of development programs to allow sufficient and active community participation of the rural communities. In other words, active participation of the rural community will be crucial to the success of agricultural development.

## Unfavorable Institutional Condition

In many parts of sub-Saharan Africa, the existing administrative structures and political conditions are not conducive to implement development programs. The administrative system is highly centralized with a top down flow of information. Development decisions are often made at the top without the benefit of knowledge of local conditions. As a result, program designs are often based on false assumptions about local conditions (World Bank, 1992). Furthermore, there is little consultation and coordination, if any, between and among different governmental departments which may have a responsibility in implementing such program. In short, such practices make smooth and timely implementation of development programs very difficult if not impossible (Chambers, 1974; Chazan et. al. 1992; Green, 1974; Ndegawa, 1985; Orewa, 1974; Waterston, 1974).

## Instable Political Condition

The political situation in Sub-Saharan Africa is even worse than the administrative system. Simply put, there is a great deal of political instability. Many governments are formed through military coup d'etat rather than through democratic institutions. Such governments are fairly unstable because they neither have popular support nor the political legitimacy to stay in power. The lack of political stability would impede development programs in a number of ways. These may include, but are not limited to: 1) increasing uncertainties in making private investment decisions, 2) inducing arbitrary and irrational changes in the priority of development policies, and 3) impeding the development of human capital due to the brain drain resulting from the flight of educated professionals and experts to escape from political persecution (Abatena, 1988).

Persistent political instability usually increases uncertainty about future social and economic conditions. As a result, there may be greater risk in making investment decisions on the part of entrepreneurs. Therefore, both domestic and foreign investment tends to be deterred and that risk may even engender the flight of capital. The reign of Idi Amin in Uganda during the early 1970's and the military government (Dergue) in Ethiopia during the late 1970's and early 80's are cases in point. In either case there was a flight of capital and a significant decline in both foreign and domestic investment (Abatena, 1988; Fosu, 1992; Sandbrook, 1986; World Bank, 1980 and 2003).

Furthermore, unstable and weak governments have a tendency to divert scarce resources away from development programs to bolster defense spending in order to consolidate their powers (Chazan et. al., 1992; Sandbrook, 1986). The data in table 2 indicate that the unstable governments tend to have higher defense spending than either education or agriculture. On the other hand, stable governments tend to spend more in education and agriculture than on defense (see table 2). The diversion of scarce resources from development programs will adversely affect economic growth. Thus there is an inverse relationship between political instability and economic growth (Sandbrook, 1986). Fosu (1992) notes that the persistent political instability in Sub-Saharan Africa has adversely affected economic growth.

Finally, repressive regimes which ordinarily thrive under conditions of political instability deter the development of human capital. Such governments usually feel threatened by well-trained and experienced citizens. To quell potential challenge to their power, they usually restricting democratic freedoms and take actions which result in the violation of basic human right Such actions ultimately lead to the flight of educated individuals and thereby create the problem of the brain drain, which is quite common in Sub-Saharan Africa.

**Table 2:** **Percent of Mean (Average) Total Expenditure by Function in Selected Politically Stable and Unstable Countries in Sub-Saharan Africa**

| Countries by degree of political stability | Percent of Total Expenditure by Function | | | | | |
|---|---|---|---|---|---|---|
| | Year | Defense | Education | Agriculture | Industry | Other |
| Stable | 1982-1987 | 9.28 | 16.01 | 9.46 | 6.00 | 42.31 |
| Unstable | 1982-1989 | 15.44 | 12.98 | 7.51 | 5.76 | 35.01 |
| All Sub-Saharan Africa | 1982-1989 | 12.32 | 14.10 | 8.17 | 5.88 | 36.72 |

Source: The data was computed from O'Donnell, Timothy et al, (1991). World Economic Data. Santa Barbara CA.: ABC-CLcIO

## Unfavorable Ecological Conditions

During the last two decades, Sub-Saharan Africa has suffered from extended drought conditions which resulted in chronic food shortages and disastrous famine. This is a significant problem since the production of major food crops in this region by and large depends on rain-fed subsistence mode of agriculture. Therefore, drastic changes in climate and the lack of rainfall has had an adverse effect on food production. This problem may be in part, due to natural causes while some parts of it is man-made. That is the growing desertification trend which is prevalent in the regions severely affected by drought is at least partly created by human actions such as indiscriminate deforestation, relentless overgrazing and over cultivation and sheer negligence or lack of soil and water conservation measures or practices (ILO, 1986). In short, it seems that the drought is, at least partly, accelerated by human actions; and, it in turn helped to exacerbate an already bad and precarious situation.

The internal factors which have been discussed in the preceding pages have, in some, fashion adversely affected economic growth in Sub-Saharan Africa. However, they are not the only factors that may have contributed to the problem. In addition to these, there are a host of external factors which may have aggravated the problem.

## External Conditions

In addition to internal factors, a host of external factors or conditions may have contributed to the economic plight of the developing nations in Sub-Saharan Africa. This may include, but is not limited to,

1) changing and competitive global economic and market conditions
2) unfavorable terms of trade
3) inadequate development assistance or aid.

## Global Economic Condition

The contemporary world is becoming more and more interdependent. Both the developed and developing countries are capable of influencing each others economic condition. The revolution in communication technology and the development of an information highway has brought the world closer together to participate in the global marketplace. This, of course, creates stiff competition for limited resources such as investment capital, a skilled labor force, manufactured goods, and raw materials. In this regard, the developing countries can not effectively compete with the rich developed countries. As a result, they usually end up as losers (Todaro, 1981). In addition to this, drastic economic changes such as weak growth in the major industrialized countries, or the recent global recession have exacerbated their already weak position. In short, the developing nations of Sub-Saharan Africa were at competitive disadvantage. This may, in part, explain the deteriorating economic conditions which affected this region during the last decade (1980's).

## Unfavorable Terms of Trade

Over the last three decades since 1973, all regions of the world have experienced trade deficits. From 1973-1987 Sub-Saharan Africa had an average annual trade imbalance of -0.34 percent. Latin America and the Caribbean, and South Asia on the average had more than twice as much annual deficit. Available evidence suggests that the global recession of the 1980's may have worsened the situation further. During most of this period (1980-87) Sub-Saharan Africa, Latin America and the Caribbean, and East Asia have experienced persistent deficits on the average ranging from -2.3 to -5.7 percent annually. Among them Sub-Saharan Africa had the largest deficit growth with an average annual increase of -5.7 percent from 1980-1987 (see table 3).

The deteriorating economic situation in Sub-Saharan Africa, at least in part, may have been worsened by the relatively higher cost of energy imports. In 1989 the cost of energy import in this region was nearly a third (28%) of its merchandise exports. In sharp contrast to this, East Asia and Latin America spent only eight and five percent respectively of their merchandise exports (World Bank, 1991, p-213). This may have helped to increase the trade deficit and reduced the purchasing power of the developing nations in this region. Consequently their ability to invest in development programs may have been adversely affected likewise. In the 1980's the rate of average annual growth of gross domestic investment declined significantly from the previous level. It dropped from an average annual rate of growth of 8.7 percent in the period 1965-1980 to -4.3 percent from 1980-1990 (World Bank, 1992, p-233). This was indeed a sharp decline indicating the harsh economic reality which Sub-Saharan Africa had to face during the 1980's. The situation is much worse now.

**Table 3: Changes in Export Volume, Prices, and Terms of Trade in Different Regions of the World**

| Country Group | Average Annual Percentage Change | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1965-73 | 1973-80 | 1980-87 | 1987 | 1988 | 1989 | 1973-1989 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***Export Volume** | | | | | | | |
| Sub-Saharan Africa | 14.2 | | | 6.0 | 2.7 | 0.9 | - |
| East Asia | 10.6 | -0.2 | -1.8 | 13. | 11. | 6.3 | 0.26 |
| South Asia | | 9.4 | 9.6 | 2 | 4 | | 9.64 |
| Latin America & | -0.2 | 4.5 | 5.4 | 12. | 6.8 | 10. | 5.81 |
| the Caribbean | | 2.2 | 3.4 | 0 | | | 3.57 |
| OECD | 0.4 | | | 9.0 | 10.5 | 6 | |
| World | | 5.4 | 3.8 | | | 2.0 | 4.54 |
| | 9.5 | 4.9 | 3.6 | 5.5 | 5.2 | | 4.38 |
| | 9.2 | | | 6.0 | 6.4 | 2.1 | |
| | | | | | | 2.8 | |
| **Export Prices** | | | | | | | |
| Low & Middle | | | | | | | |
| Income Economies | 6.1 | 14.7 | -4.6 | 8.5 | 3.0 | 2.1 | 4.96 |
| High Income | | | | | | | |
| OECD members | 4.8 | 10.3 | 0.4 | 11. | 8.4 | 5.3 | 5.91 |
| | | | | 8 | | | |
| **Terms of Trade** | | | | | | | |
| Sub-Saharan Africa | | 5.4 | -5.7 | 0.6 | -5.4 | 1.2 | - |
| East Asia | -6.7 | 0.3 | -2.3 | -0.5 | 1.2 | 2.5 | 0.34 |
| South Asia | 3.3 | | 1.3 | 0.6 | 1.8 | - | - |
| Latin America & | 3.3 | -3.1 | -3.9 | -3.9 | 2.2 | 1.8 | 0.64 |
| the Caribbean | 3.1 | 1.2 | | | | 7.2 | - |
| OECD | | | | | | | 0.71 |
| World | -1.3 | -2.2 | 0.3 | -0.1 | 0.0 | -0.1 | 0.79 |
| | -0.9 | -1.5 | -0.4 | 0.1 | -0.4 | 0.1 | 0.79 |

Source: World Bank , World Development Report 1991: The Challenge of Development: Tables A.9 & A.10. New York: Oxford University Press, 1991.

In addition to this the economic crisis in Sub-Saharan Africa during the 80's was worsened by the fact that the developed market oriented economies (OECD members) had also experienced similar difficulty in regards to international trade. They had an average annual trade deficit of -0.79 percent in the period 1973-1989 (see table 3). This may have dampened the demand for goods and services from the developing countries with the resultant decline both in the volume of export commodities, and the price of such commodities, and the subsequent increase in trade deficits among the latter.

## Lack of Adequate Development Aid

The developed industrial economies generally have been generous in their willingness to provide development aid to the developing countries in Sub-Saharan Africa. However, in view of the serious economic problems in this region, the amount of aid does not seem to keep pace with the increasing cost of designing and implementing development projects. Generally developed assistance has continued to decline due to economic recession and trade deficits in the developing nations (World Bank 2008).

## Discussion

A combination of the preceding unfavorable internal and external conditions seem to explain Sub-

Saharan Africa's economic woe of the 1980's and later. First, the sound economic growth which this region had enjoyed during the 1960's & 1970's went on a tail-spin during the 1980's. The growth of gross domestic products (GDP) declined from an average annual growth rate of 4.2 percent from 1965-80 to 2.1 percent during 1980-90 (World Bank 1992). This represents a 200 percent decline in the rate of growth.

Second, the unfavorable internal and external conditions may have disrupted the various development initiatives which started during the 1960's and early 1970's. For instance, there was a sharp decline in investment during the 1980's. The average annual growth of gross domestic investment plunged from 8.7 percent during 1965-80 to -4.3 percent during 1980-90 (World Bank, 1992; UN 1993).

**Table 4: Percentage Share of Africa in Developing Countries Exports, 1980-1990**

| Commodity | Year | | |
|---|---|---|---|
| | 1980 | 1985 | 1990 |
| Food | 4.6 | 3.9 | 2.8 |
| Agricultural Raw Material | 4.0 | 3.9 | 3.0 |
| Ores and Metals | 6.0 | 4.7 | 3.6 |
| Fuel | 14.9 | 11.5 | 11.7 |

Source: UN World Economic Survey 1993: Current Trends and Policies in the World Economy. New York: United Nations, 1993.

Furthermore, food and energy imports increased sharply in 1990, above the amount of the mid-60's and 70's. In fact, in 1990 energy import as a percentage of merchandise exports was quadruple the amount in 1965. Interestingly enough the rate of growth in energy consumption during the 1980's was half as much as that of the previous period, 1965-80 (World Bank, 1992). Thus the growth in the cost of energy import seems to be primarily due to price increases rather than increases in consumption. In addition, the early 80's global economic recession, economic declines, rising interest rates, and growing unemployment in developed market-oriented economies may have further aggravated the situation. These conditions were accompanied by low demand for primary export commodities which in turn created the twin problems of low export volume and low export price of such commodities. This, coupled with relatively higher price for imported goods, may have compounded the problem. Consequently, external loans were used to finance the procurement of imported manufactured goods as well as to service external debt (Sonko, 1994).

The responsibility to address this issue in a thoughtful and pragmatic way cannot be entirely left to the nations in Sub-Saharan Africa alone. It is an inescapable fact that both the developing nations in this region, and the developed world as a whole need to work together towards the ultimate goal of achieving sound economic growth and sustained development.

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