THE MAJOR CHALLENGES OF AFRICAN ECONOMIES

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Abstract. *Many African countries remain underdeveloped or developing economic status after many years of independence. Some scholars have argued that colonization left African Economies poor and unable to develop as western counterparts. Colonialism is adjudged to be the tool the colonial masters of European countries pillaged and sabotaged the African economies. There had also been an attempt to explain the underdevelopment of many third world countries with the economic relationship of the core economies and the periphery economies. The argument was that the countries at the periphery support the countries at the core. While the countries of the core consist of the wealthy countries of the northern hemisphere, the countries of the periphery consist of the poor countries of the southern hemisphere. Before colonialism, some scholars argued that slave trade milked African countries of youthful vibrancy needed for economic growth. The slave trade was asserted to have created a huge development gap in African economies in a time Europe grew their economies through merchandize and trade relations. Despite the foregoing perceptions on economic status and performances, many African countries have had the opportunity to accelerate their economic growth and development, but failed to do so. This research presents the perspective that since Slavery and colonialism had ended many years ago; and as such, African countries have had huge opportunities for economic growth and development, some of which exceeds those of the countries blamed for their woes, but they failed to grow economically. There was also the issue of the resource curse, which affected African economies rich in natural and mineral resources. In view of the subsisting challenges of realizing high levels of economic growth and development, this article identifies and assesses some of the challenges facing African economies over the years. It reviews the academic literature on African economies, identifies their contemporary challenges and draws useful conclusions. Some of the challenges of African economies identified and discussed include leadership, import dependence, corruption, sabotage of economic efforts, lack of investment in infrastructure, concentration on primary products, etc. The research underscores the fact that the challenges are not just structurally based on economic indices, but has dimensions associated with activities which undermine and sabotage economic efforts in both short and long time periods. One of the conclusions at the end of the research is that various African leadership levels have to stir the cord of African economies aright forthwith on the inevitable path to giant economic growth and development.*

Keywords: *African economies; challenges; resource curse; Dependency Theory; development.*

Introduction

African Countries faces challenges that range in political, economic, socioeconomic, etc. This paper with a focus on economic dimensions hopes to unveil what these economic challenges of Africa economies are. Though the economic strength of the various African countries varies, the research would be assessing the average economic performance of cumulative African economies. Research methodology, statement of the research problem, research objectives, the scope of study and limits of study have all been presented in the work below.

Research methodology

Baxter and Jack (2008, pp.547-549) have identified different types of case research methodologies which include explanatory, exploratory, descriptive, multiple or single, intrinsic, instrumental and collective The research methodology is that of assessing African economies into a single unit of analysis as a case study. However, the descriptive case study methodology has been adopted for a qualitative and analytical assessment of research evaluations. Descriptive research methodology approach describes the situation under assessment, and with qualitative analytical measures draws useful conclusions. Sources of data for the research, in this case, would be the secondary data, from information available from reliable sources on the case under assessment. Yin (2012, p.10) observes that good case study research methodology benefits immensely from having 'multiple sources of evidence' as it is not limited to a single source of data, such as the use of questionnaires for carrying out a survey. Multiple sources would be used in sourcing data for the assessment of African economies' challenges.

Statement of research problem

There is no doubt that there is a high level of poverty in African countries. This is the case despite the existence of abundant natural resources in Mineral and Agricultural resources in various African countries. Many African countries are still neck deep in foreign and local debts; acute infrastructural deficits, poverty, high levels of unemployment, economies plagued by corruption, natural resources theft, money laundering and diversion of public funds to private coffers, import dependent, etc. The problem of under development persists in African economies even as there continues to be an exodus of youth through various migrant routes to greener pastures in some other continents. The major challenges of the African economies would be identified in this research, assessed and analyzed with a view to proffering useful conclusions and recommendations.

Research objectives

In view of the subsisting major economic challenges of African countries, as highlighted in the statement of the research problem, the continued existence of high level of poverty, unemployment, underdevelopment and sluggish economic growth, this research presents the following objectives. To identify the major challenges of African economies that have perpetually kept many of the economies from commensurate economic growth with an endowment of natural resources. To assess and evaluate the impediments to the accelerated economic growth of African countries with a view to further understanding their subterranean causes. To draw conclusions and suggestion recommendations that may be useful for African countries in fostering rapid economic growth

Scope of study

The research scope would cover all African countries and assessed as a single unit. Nevertheless, various exemplary cases of some of the countries may be cited as it is hoped they would represent the larger picture of occurrences across the globe. In all, the average performance of the African economies would be highlighted and assessed.

Limits of study

As would be expected, when the analysis of multiple cases of many countries is been brought into a single unit of assessment, the data may not evenly be representative of all countries assessed but would be an average representation of the conditions and situations in the various countries under assessment. Sources of data may not be equally available, while some may present higher amount of data, others may present lower amount of data. However, the good aspect of the research is that the level of study undertaken would be representative enough for higher percentage explanation of the situation; which can then be subjected to further studies either as a whole or in individual cases.

Literature review

The literature review would look at scholarly contributions on African economic growth and development. It would cite cases on dependency theory, resource curse as affects Africa, Mainstream Economist, New Institutional Economist (NIEs) and Structural Economist views on economic growth and development. The literature review would further also look at literature that relates issues of poverty and unemployment in African countries.

Dependency theory

Dependency theory was developed in the late 1950s under Raul Prebish as he served as the Director of the United Nations Economic Commission for Latin America. The development of the term originated from the study that reflected the relationship between the industrialized nations of the north did not necessarily lead to economic growth and development between the developed nations and the poorer nations. It was underscored that the economic activities in developed nations altered and led to economic challenges in the economies of poor or developing nations (Ferraro, 1996). Some other scholars have contributed extensively also on the dependency theory. "[Dependency is] an historical condition which shapes a certain structure of the world economy such that it favors some countries to the detriment of others and limits the development possibilities of the subordinate economics...a situation in which the economy of a certain group of countries is conditioned by the development and expansion of another economy, to which their own is subject" (Santos cited in Fann & Hodges, 1971, p.226). "…historical research demonstrates that contemporary underdevelopment is in large part the historical product of past and continuing economic and other relations between the satellite underdeveloped and the now developed metropolitan countries. Furthermore, these relations are an essential part of the capitalist system on a world scale as a whole" (Frank cited in Cockcroft, Frank & Johnson, 1972, p.3). Dependency has also been described as the "explanation of the economic development of a state in terms of the external influences--political, economic, and cultural--on national development policies" (Sunkel cited in Ferraro, 1996).

Dependency theory could well apply to the case of African countries as many of them are supplies of raw materials to the development nations which now process them and sale at higher cost all over the world. In the studies, it has been underscored that the relationship between the developed and underdeveloped further led to the increased development of the developed while further underdeveloping the underdeveloped.

Resource curse theory

The theory of resource curse points to the inability of resource rich countries to have rapid economic growth and development as some countries that do not resource rich. Scholars over the years conducted studies to draw the inference that many resources rich were plagued in what is described as 'resource curse', having failed to develop despite their abundance of natural resources. Auty (1993, p.200) is ostensibly seen as the originator of the phrase "natural resource curse". Auty further observes that resource poor countries performed better than resource abundant countries over the years. Most resource-abundant countries evolved a factional political state that distorts the economy because of the pursuit of rents. Other scholars related the issue of quality of institutions. Sachs and Warner (1995) was seen as the ones who began the literature on econometrics in which they observed that dependence on economic growth based on oil and mineral resources was related to slow economic growth and development. "It has been observed for some decades that the possession of oil, natural gas, or other valuable mineral deposits or natural resources does not necessarily confer economic success. Many African countries such as Angola, Nigeria, Sudan, and the Congo are rich in oil, diamonds, or other minerals, and yet their peoples continue to experience low per capita income and low quality of life. Meanwhile, the East Asian economies Japan, Korea, Taiwan, Singapore and Hong Kong have achieved western-level standards of living despite being rocky islands (or peninsulas) with virtually no exportable natural resources" (Frankel, 2010, p.3). The resource curse theory is rightly applicable in the case of many African countries with respect to their failure to economically grow and develop even with all valuable and abundant resources available to them. Rodney (1973) pointed to the fact that there is "unquestionable fact that a large proportion of the so-called underdeveloped countries are in total stagnation, and that in some of them the rate of economic growth is lower than that of population increase" (Rodney, 1973, p.6).

Mainstream Economists, New Institutional Economists and Structural Economists' views on resource-based economic growth

The Mainstream economists advocate countries' economic growth through continuous production and trading of goods they have a comparative advantage over other nations. And within the mainstream economics views are the new institutional economists which though accepts the idea of comparative advantage, but however, associates low growth rates to the failure of institutions. On their part, structural economists advocate for diversification and industrialization of nations as the path to lead to economic growth and development. This view of the structural economist is based on the proposition that resource dependency does facilitate accelerated economic growth and development (Igberaese, 2013, p.6).

In the case of African countries, the mainstream views may not hold true as economic growth based on comparative advantage is not very much obtainable as one country may not need what another country has and as such does not present a best economic approach to economic growth. Also, other countries may have just the same product or resource possessed by another and would, therefore, make other with similar resources redundant or unable to fund market. On the other hand, the views of the new institutional Economic scholars may hold true for African countries as there are several cases of non-quality institutions or what can be described as corruptible institutions. The political class through political leadership acquiesces to corruption and rent seeking activities and patronage in such a way that jeopardizes economic interest, investment, growth, and development. This scenario may have affected many African countries as issues of institutional involvement in activities which depict their non-performance, incapability and non-quality functioning. The theoretical views of the Structural Economist have not yet become practicable in African countries in the higher percentage dimension. Many African countries are still very much dependent on natural resources' export for economic growth and development. Not so many African countries have properly diversified into other relevant sectors of their economies in a manner that adequately compliments major economic base, boasts it commensurably or is even able to sustain their economies as mainstay other than natural resources. African countries certainly need diversification and industrialization as serious levels of poverty, the slow pace of economic development, acute shortage of infrastructure, high unemployment rates and other low levels of socioeconomic situations exist.

The case of Africa: identifiable challenges or impediments to Africa's economic growth

A number of impediments and challenges to African economic growth have been identified through occurrences, cases and situations taking place or that took place in various African countries. Some of these impediments have been discussed below with particular examples drawn.

Leadership crisis

Leadership crisis and actions had clearly become an impediment to economic development in many African countries. In many cases, various countries' leadership had failed to muster the requisite level of political will to commit to the development of their countries economically. In some of such situations, the political leadership has been engrossed and involved in corruption cases which rather point to an interest in self-aggrandizement rather than State's development interest. Furthermore, some of the political leadership in Africa have failed to encourage investments in sectors with reasonable economic returns to their countries, instead many pursue elephant projects with no economic values, just for self-glory or ego massage. Also, the struggle for political power control has often led to such political struggle that destroys economic interest in form of foreign direct investments (FDIs) or even investments from local sources. There is also the issue of political struggle that leads to war situations or confrontation which eventually drains away economic investments either in the long run or short term basis. There is also the issue of the political sit-tight syndrome; a situation where a political leader remains in power for decades, and even when he has lost vision and steam of relevant economic direction for the country, he continues to stay on regardless of economic retrogression. Some leadership in Africa also does not see their position as one meant for leading their nations out of poverty and economic backwardness, instead, they perceive political leadership roles as rewards and or political patronage. With such view, some political leadership in Africa does not concentrate on economic growth and development, but on the pecks of office and self-enrichment at the detriment of their countries. Some African countries which have had semblance of these situations include Sudan, South Sudan, Zimbabwe, Cameroon, Central African Republic, Equatorial Guinea, Nigeria, Ivory Coast, Congo DRC, Burundi, Egypt, Tunisia, Libya, Eritrea, Liberia, Sierra Leone, Gabon, Rwanda, Algeria, the Gambia, Mali, Niger, Somalia, Kenya, Senegal, Ethiopia, Djibouti, Chad, Republic of Congo, Mozambique, etc.

Import dependence

Many African countries have the capacity to task themselves appropriately and engage in manufacturing and production of several goods from local materials. Rather than do this, many African countries resorted to importing in large scales, such that several goods which could actually be produced locally are now imported. The availability of revenue from some natural resources endowments such as crude oil, gas, diamond, gold, and many others, made it possible that there were always ready funds for the importation of goods and services from overseas territories. The recurrence of import dependence over the years appears to have instilled the psychology that anything foreign is better than all things local, particularly for goods being imported from developed nations. This same psychology of import dependence and valuation of foreign goods from developed nations have eventually, it would appear, drained considerably, the inquisitive intellectualism and drive towards production and manufacturing as the mainstay of African economies. Although production and manufacturing of some sorts still take place in African countries, however, a lot more goods which can be sourced, processed and produced locally are still been imported. The trend is a major challenge and strain to African countries' economic growth and development.

Corruption/sabotage of economic efforts/money laundering

There continue to be endless cases of corruption unveiled in many of the African countries. The issue of corruption, though a global challenge, had become endemic within the African societies. These acts of corruption in African societies include cases of bribery, money laundering, inflation of contract sums, subversion of justice with money, buying of electoral positions with money, theft of economic assets or resources, nepotism in appointments, capital flight for acquisition of properties abroad, diversion of public finds to private use, tampering with constitutional frameworks for individualistic gains, etc. all these have weighed in heavily on economic growth and development. As a matter of fact, they have undermined efforts and recorded progress towards economic growth and development. Economic resources meant for development purposes are often siphoned or fritted away to overseas territories or deployed to private use. The political class involvement and those of others in these kinds of corruption cases have included occurrences in African countries such as, Nigeria, South Africa, Tunisia, Egypt, Liberia, Equatorial Guinea, Algeria, the Gambia, Congo DRC, Togo, Somalia, Kenya, South Sudan, Libya, Angola, Ghana, Guinea Conakry, Cameroon, Zimbabwe, Lesotho, Swaziland, Central African Republic, Djibouti, Eritrea, Burundi, Mali, Niger, Chad, Burkina Faso, Ethiopia, Sierra Leone, Gabon, Tanzania, Zambia, etc. Corruption in one form or another had undermined drive towards economic growth and development in many of the African States mentioned above; as such, it constitutes a major economic challenge to African development.

Lack of investment in infrastructure

There continues to exist an acute shortage of infrastructure in the many African States. This is as a result of the accumulated lack of investment in infrastructural development. There is the existence of infrastructural deficits such as lack of adequate power supply, lack of good access roads, lack of good drinking water, lack of good health centers, lack of relevant educational infrastructures, inefficient transport system – no good rail transport system, airport operations, road transport, etc. the lack of political will and leadership to invest maximally in infrastructural development discourages investment drive and interest. A situation where an investor had to source his own power supply, water supply, security support, use dusty or half-hazardly done roads does not encourage higher levels of investment for an economic boost. Some African countries with lower infrastructural development levels include Nigeria, South Sudan, the Gambia, Benin Republic, Niger, Chad, Mali, Zimbabwe, Liberia, Mozambique, Central African Republic, Eritrea, Burundi, Somalia, Angola, Congo DRC, the Republic of Congo, Uganda, Djibouti, Burkina Faso, Cameroon, etc. The investment in infrastructure constitutes the investment which is truly made into the economic system of a country, while the lack of it means that the economic growth and development system absence of needed support.

Concentration on primary products supply

Just as was partly explained in the dependence theory, many African countries still concentrate their economies on primary products supply or export for revenue generation. The concentration on supply and export of natural resources meant that some of the African countries caught up in it depend on the revenue from such primary or natural resource exports to funds annual national budgets, foreign exchange revenue generation, support governments' economic investment programs, etc. Given the theoretical frameworks associated with being the supply of a primary product, there are factors that affect the supply of primary products at both international and local levels. Such factors include lower cost of primary goods compared with the price of finished goods; price volatility leading to cases of unpredictable revenue, cases of oversupply at international markets force down the cost of primary commodities leading to leaner available resources for government expenditures, etc. All these affect the position of African countries involved in primary products supply and as such constitute a challenge to African economic progress and development. Some African countries stock in these kinds of situation includes Nigeria, Liberia, Angola, Mozambique, Equatorial Guinea, to mention a few.

Lack of adequate continental economic drive

There is no doubt about the existence of African Union, NEPAD and other sub-regional African bodies such as ECOWAS, EATC, SADC, etc., but there remains the need for higher levels of the enhanced continental drive towards economic development. The absence of such a drive constitutes an economic challenge for the African continent. The level of economic exchanges between African countries is not yet fully utilized. There is supposed to be complimentary economic support for growth and development amongst African countries, but the case is often divergent and/or different. While one African country may be involved in economic growth efforts, the neighboring country may be involved in one type of war or another, insurgency, terrorism, piracy and kidnappings, political hooliganism and leadership crisis, all of which ends up destroying or detracting from economic development efforts on the continent as a whole. This situation poses a great economic challenge to the African continent. Some of the African countries involved in some of such conflicts and other conditions that discourage continental economic drive include Central African Republic, South Sudan, Congo DRC, Liberia, Burundi, Somalia, Nigeria, Cameroon, Niger, Mali, Egypt, Ivory Coast, etc.

The absence of an efficient tax and revenue collection process

Many African countries lack an efficient system of tax collection. Regardless of the fact that tax revenue could reasonably support government revenue base for overall economic operations, many Africans still do not believe in paying taxes as at when due. In addition, various national governments of African countries have not evolved a good mechanism for collection of tax revenues, thus billions of dollars are cumulatively lost to the inefficient taxation system. Some international and local companies engage in such acts of tax evasion in a manner that undermines collectible tax revenues of government. This situation really poses a challenge to the economic development of many African States. The example of Nigeria readily come to mind, out of its over one hundred and eighty million people, the number that pays personal tax is very minimal at about 13% of those in the tax bracket. "According to the Joint Tax Board, there are ten million people (precisely 10,006,304) registered for personal income tax purposes in all the states of the federation including the FCT. Out of this, about 4.6million or 46% are registered with the Lagos State Internal Revenue Service (LIRS) indicating an average of 153,000 or 1.5% per state for others. Corruption is the most debilitating factor in the Nigerian economy, next to that is wastage. Whatever didn't get stolen got wasted leaving very little for development. Last year we spent N64bn on travels but only N19bn on roads. Compared to the labor workforce of 77million at the end of 2015 according to the National Bureau of statistics (NBS), the number of people in the tax net is only 13%. Ironically even government as the largest employer of labor is not fully compliant in deducting and remitting taxes on the salaries of their workers. This shows why there is a very low correlation between the high public sector wage bill in the budgets and the paltry personal income tax collection nationwide" (Oyedele, 2016, pp.1-2).

The inability to spur economic hope and confidence

Given the extent of the periodic crisis in some African countries, there is a failure to spur economic hope and confidence. At the heart of the issue is the uncertainty that often surrounds the political processes, economic policies direction, security situation and guarantee for repatriation of investment proceeds, etc. For instance, when some African leaders refuse to relinquish political power through democratic election processes, it creates lack of stability which in turn affects economic confidence. When the economic policies are tinkered with at will and continuously, it becomes difficult to know what investment actions to take by interested investors. Sachs and Warner (1997) points to poor economic policies as having contributed to Africa's slow economic growth. Also, the news of war, insurgency and other forms of armed conflicts scare away investors locally and internationally and lead to lower level of economic investment in parts of Countries in Africa affected by them. If grouped together, African region is perceived as the zone of conflict or as being insecure; such perception and accompanying actions pose a challenge to economic growth and development of Africa.

Destruction and sabotage of economic investment/opportunities

Following from the numerous cases of security challenges, economic investments and opportunities are destroyed. For instance, the insurgency in Nigerian State of Borno and the neighboring cities led to the death of more than 20 thousand people and the destruction of so many properties, in addition to the creation of internally displaced persons (IDPs). Also in the Central African Republic, the periodic crisis leads to deaths of citizens and destruction of lives and properties, besides the creation of refugee crisis. Also in South Sudan, though a young nation on the African continent, it had found it hard to make economic leap due to the continuous struggle for political power. Other activities of corruption, theft of economic resources, kidnaping of expatriate workers, failure in the obligation of citizens to government's economic efforts, blowing up of oil pipelines as happens in Nigeria's

Niger delta, all constitute sabotage of economic investments and opportunities. This too poses a great economic challenge to African development in general.

Conclusion and recommendations

In view of the foregoing discussions, it is pertinent that decisive efforts be made towards a change of the negative major challenges in order to ensure economic growth and development for all African countries and as a continent. "Underdevelopment is characterized by dictatorship, powerlessness, joblessness, illiteracy, violence, hunger, famine, absolute poverty, disease, and untimely death" (Ashafa, 2014, p.75). Africans are still suffering and have a need for an improved standard of living. Accordingly, the following recommendations have been put forward.

African countries should engage in production and manufacturing in order not be only suppliers of primary products; besides doing so would lessen the foreign exchange spent on importation of goods that can be produced locally. African countries should respect electoral processes for a change of political leadership; and also not perceive political leadership as one of patronage, but for service and delivery of dividends of governance. African countries should make concerted efforts in the promotion of economic investments and exchanges within the African States aimed at economic support for growth and development. African countries should also ensure efficient tax collection system as a way of providing support for various national governments' revenue generation. African countries should eradicate all forms of armed conflict so as to stem the tide of destruction of lives, properties, and economic investments. African countries and those involved in any act of corruption can eschew all forms of corruption as a means of providing economic growth and development support for the African Continent.

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