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# Why Africa is Poor

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DEPARTMENT OF FINANCE

PROGRAM: MASTERS IN FINANCE AND INVESTMENTS



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# **WHY AFRICA IS POOR**

## **ABSTRACT**

*Africa's state of poverty has more often than not been a growing concern not only to the states themselves but to renowned scholars. The prime task of this research centred on determining the root causes of why Africa still lags behind in both economic and social welfare. The study was conducted to answer the open question "why is Africa poor?" In order to begin to ascertain the reason why, particular measures were adopted in the study. These measures were aimed at revealing poverty from a monetary and non-monetary perspective. Monetary measures included the use of the International Poverty Line (IPL) adopted by the World Bank and this revealed that Africa indeed contributed the largest number of inhabitants living in poverty. Non-monetary measures included inequality testing (using the Gini Coefficient) which provided conclusive evidence that inequality was dominant on the African continent especially Sub Saharan Africa. It was also noted that overall poverty in Africa has been on the decline since the 1990s though it has been a slow one. Other measures such as the Human Development Index revealed that women in Africa were deprived the most particularly the young generation (15-19 years). Theories which aimed to explain Africa's poverty state were provided and these included the liberal, dependency and theocracy theories. Empirical literature revealed that the major contributing factors to the state of poverty in Africa were split into self-inflicted (fund mismanagement, poor economic policies, religion,) and external influence (hidden agendas from other states,). The study concluded by ascertaining that most of the problems affecting the African continent were of a self-inflicted nature and the role of politics has been by far a large and dominant factor in poverty in Africa. The need to invest in health, education and economic liberalisation was highly recommended as a panacea to the poverty resurgence which has continued to haunt the African continent despite its large resource base. The need to engage think in policy implementation was also advised as most decisions carried out by leaders were as a result of limited knowledge on their part pertaining the subject matter. Regional integration is a must if Africa is to move forward as it needs a single voice in stepping up the fight against global poverty.*



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# CHAPTER 1

## 1.1 INTRODUCTION

The late great South African visionary Nelson Mandela was quoted saying “*Poverty is not an accident, like slavery and apartheid, but it is in fact man made and can be removed by the actions of human beings.*”

The continent of Africa, despite its rich endowment of vast mineral resources, some of which constitute the global resources still constantly finds itself in an ever endemic state of poverty related constraints. According to Simons (2012), “*Africa is the richest continent in the World, in terms of its natural and mineral resources and supplies up to 31% of the World’s demand for bauxite, cobalt, gold, manganese, phosphate and uranium. Additionally, it also caters for 57% of the Worlds demand for chromium and diamond.*” Henceforth, the study aims to establish why Africa is “rich but poor”. The motive is to decipher why it has been labelled as a paradox state/continent. The chapter will begin by showing a depiction of the poverty trends in Africa in two classifications being monetary and non-monetary measures. This is to indicate the state of the African continent, where it has been coming from and possibly where it seems to be headed. The chapter will then conclude by unveiling the research questions and objectives used for the duration of the research paper to its eventual conclusion.

## 1.2 BACKGROUND OF THE STUDY

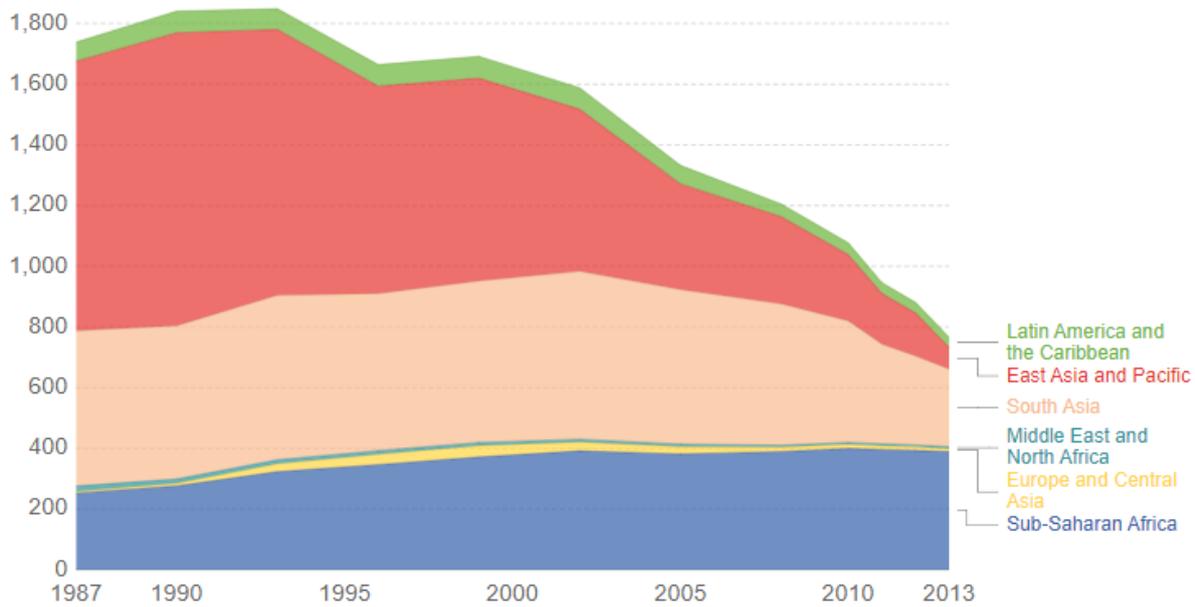
The online oxford dictionary (2018) defines being poor/the state of poorness as being the lack of sufficient money to live at a standard considered comfortable or normal in a society. Institutions such as the World Bank use standard yardstick measures to ascertain the state of poverty in societies that make up countries. The various tools to measure the state of poverty in a society can be classified into monetary and non-monetary mechanisms as indicated by the following:

### **1.2.1 MONETARY MEASURES:**

#### **The International Poverty Line**

The international poverty line according to Investopedia is the monetary threshold from which an individual can be classified as being in a state of poverty or not. In the year 2015 the World Bank revised its international poverty line to an amount of \$1.90 from the initial value of \$1.25 which had been in motion since the year 2005. The global trends on the International Poverty Line indicate that Sub Saharan Africa together with South East Asia contributes the majority of people living on less than \$1.90 per day. Though it is notable the number has decreased significantly since 2010. These trends are shown on the following figure 1 below:

**Figure 1: Total people living in extreme poverty (<\$1.90 a day) from 1987 to 2013:**

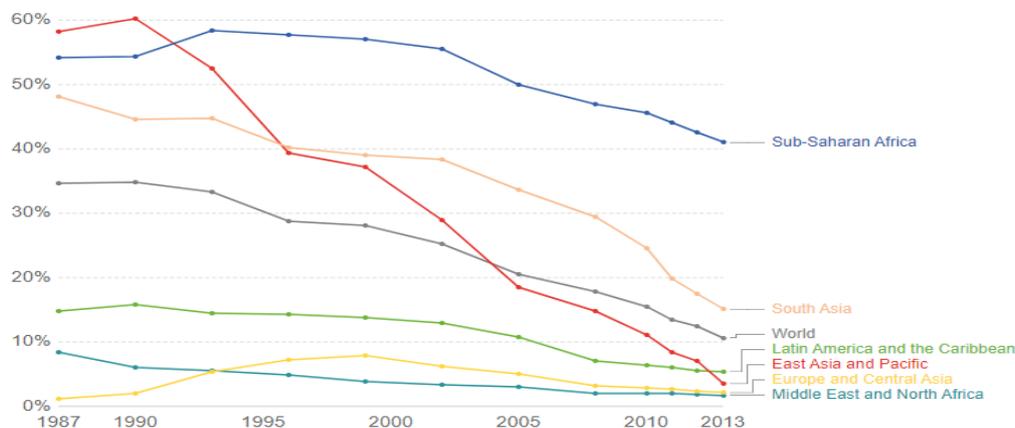


Source: World Poverty Absolute Number by Region - PovcalNet (World Bank) CC BY-SA  
 Note: Consumption per capita is the preferred welfare indicator for the World Bank's analysis of global poverty. However, for about 25% of the countries, estimates correspond to income, rather than consumption.

As shown by the diagram Africa still has a significant chunk of inhabitants living in poverty even though the figure looks to be gradually declining. From this angle Africa can then be considered to be still poor.

From the World point of view, the total percentage of population living in extreme poverty still emanates from the African continent. This could be associated with the population of Africa considering it is the second largest continent by number behind the Asian continent. The total number of people living in poverty as a percentage of the world is indicated in diagram below:

**Figure 2: Share of the world population living in extreme poverty (1987-2013)**



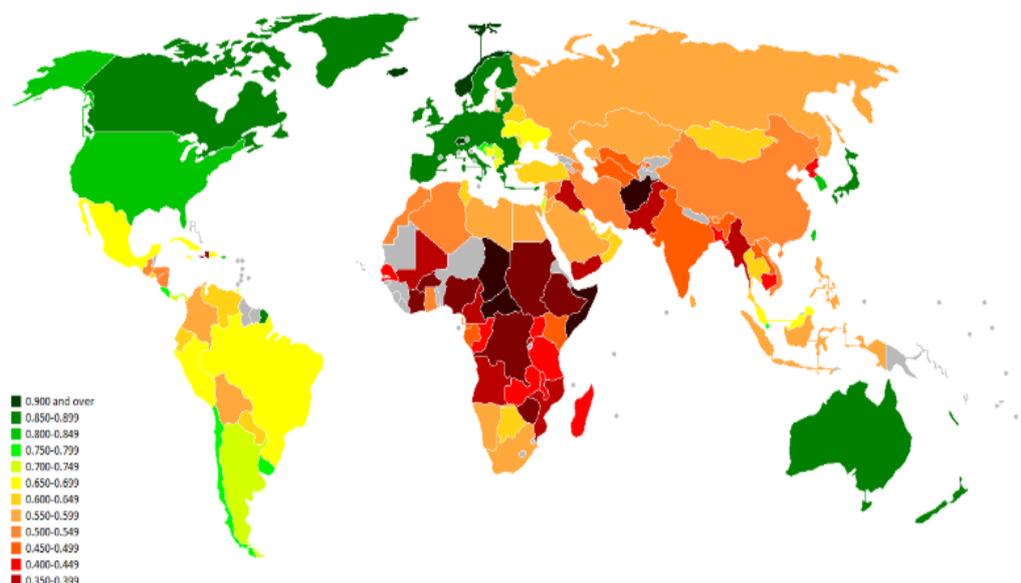
Source: Share of the population living in extreme poverty by world region - PovcalNet World Bank CC BY-SA  
 Note: Consumption per capita is the preferred welfare indicator for the World Bank's analysis of global poverty. However, for about 25% of the countries, estimates correspond to income, rather than consumption.

As indicated in the preceding figure, the overall share of people living in poverty decreased significantly but the continent of Africa still constituted close to 42% of people living in poverty as proportion of the World.

### **Trends in inequality (GINI COEFFICIENT)**

According to the African Poverty Report (2016), high levels of inequality gaps can have adverse/disastrous socio-economic effects costs on a society. Thus the higher the rate of inequality leads to slow reduction in the poverty rate. Berg, Ostry and Zettelmeyer (2012) highlight that inequality leads to reduced and less sustainable growth hence promoting poverty. Inequality is measured using what is known as the Gini Coefficient which consists of two main calibrations namely 0 (which indicates perfect equality) and 1 (shows perfect inequality). The World level Gini coefficient is better indicated by the following figure 3 estimate:

**Figure 3: World level Gini Coefficient as at 2015:**



**Source: African Poverty Report 2016**

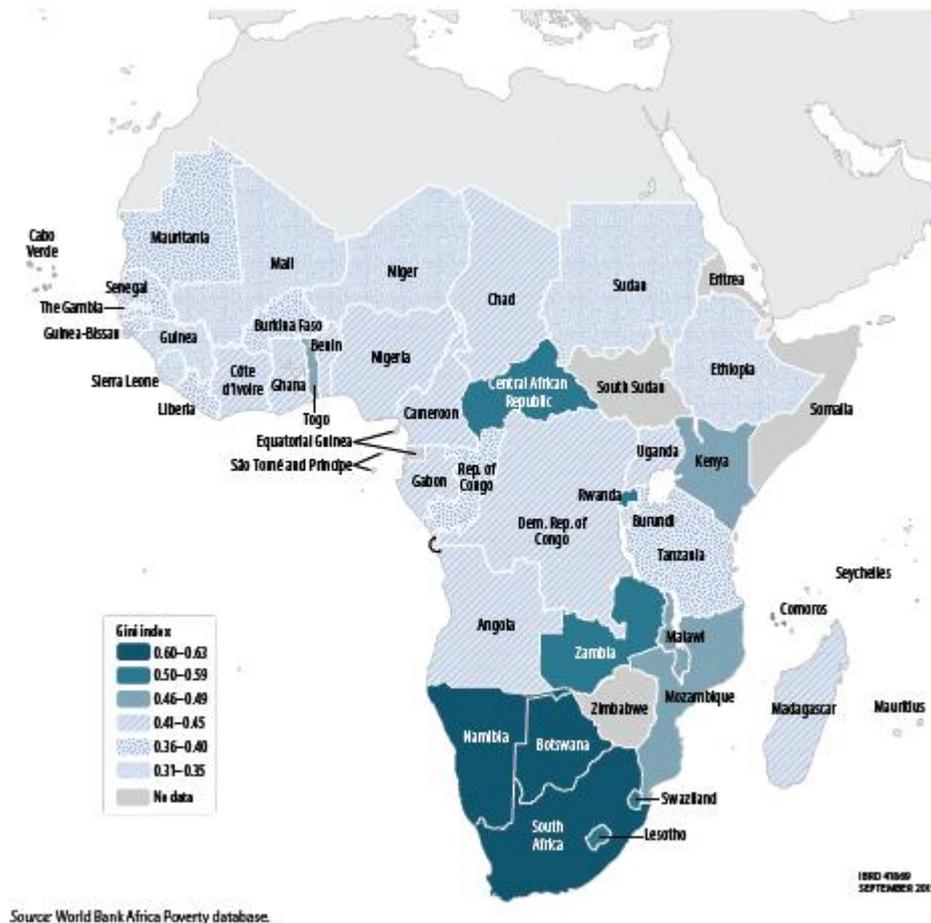
As shown on the diagram, the high levels of inequality were predominant on the African continent. Though it is noticeable that the figures of the African continent were closer to the desirable range of 0, this could still indicate inequality as poverty may be equally distributed across a country. If average incomes/wages are low across the country, inequality could be considered as low but the poverty will still be existing due to reduced nature of purchasing power parity.

According to Investopedia (2018), the GINI index can assist nations in their effort to track poverty levels. In addition to this, this index can be used together with the Gross Domestic Product data. As the Gross Domestic Product increases, this may suggest that the income inequality maybe be decreasing to desirable figures. Whilst the continuous rise of the GINI index closer to 1 may be indicative that the population may not be increasing income earnings.

### Regional Inequality trends in Africa

The African Poverty Report (2016) emphasized that inequality levels are significantly higher in Southern Africa consisting of nations such as South Africa, Zambia, Lesotho, Namibia, Swaziland and Botswana. Data for Zimbabwe was however not available for this particular aspect. These countries had GINI indices above 0.5. The figure shows the GINI coefficient map for Africa as at September 2015:

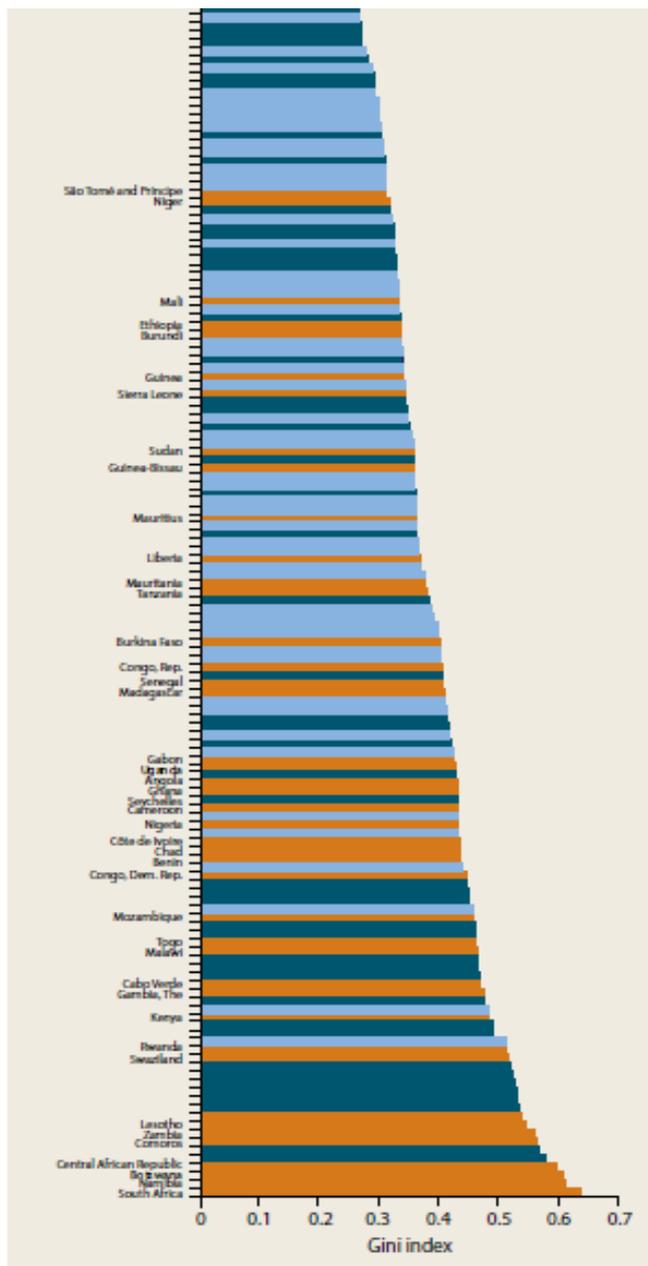
**Figure 4: GINI coefficient for Africa as at 2015:**



It is evident that most inequality emanates from Southern Africa which ranges from 0.5 to almost 0.63. The African Poverty Report (2016) alludes that the GINI index increased from 0.52 in 1993 to 0.56 in 2008. However the World Bank (2017) revealed that poverty rates in Africa have declined though inequality continues to widen. Lanker and Milanovic (2015) note that this negative relationship can be attributed to gaps across countries which may be large though intra-country gaps are small.

Recent information indicates that Africa constitutes about 7 countries out of the top 10 countries considered to be unequal in terms of income distribution, with the majority of these coming from Southern Africa as shown by the figure provided below:

**Figure 5: The GINI index for countries in Africa (2015):**



Source: PovcalNet for countries outside Africa; World Bank Africa Poverty database.

As was mentioned earlier, majority of inequalities stem from the SADC region, this has in turn contributed to common conception of inequalities existing in Africa as a whole. Island nations such as Mauritius, Madagascar have fairly acceptable rates of equality together with the likes of Liberia, Rwanda among others.

### The Gross Domestic Product

The gross domestic product of a state or country according to Scott (2012) is a form of monetary measure of the respective market value of all the final goods and services produced in a period of time often recorded on a yearly or quarterly basis. It is important to note that nominal GDP estimates are used to measure the economic performance of a country or region. The figures below show the Nominal GDP rates of Africa with respect to the other 6 continents.

**Table 1: Gross Domestic Product (Nominal) for the World's Continents as at 2017**

Rank	Continent	GDP per capita (US\$)	Year
	<i>World Average</i>	10,830	2017
1	Oceania	53,400	2017
2	North America	45,560	2017
3	Europe	27,330	2017
4	South America	9,330	2017
5	Asia	6,690	2017
6	Africa	1,820	2017
7	Antarctica	0 (N/A)	2017

Source: World Bank Development Indicators

As can be shown, the GDP for Africa is far low compared to the other continents and this may be indicative of slow economic progress that the continent is experiencing when compared to the others. However it is important to note that Africa has high growth projections though not yet large enough to topple other states.

Figure below shows the GDP figures as at 2010 for the global continents and statistics indicate that for Africa it has been a significant surge from 2010 to 2017 (shown in figure). The 2010 figures are shown below:

**Table 2: Gross Domestic Product (Nominal) for the World's Continents as at 2010**

Rank	Continent	GDP per capita (US\$)	Year
	<i>World Average</i>	16,837	2010
1	North America	32,296	2010
2	Oceania	29,909	2010
3	Europe	24,969	2016
4	South America	9,254	2010
5	Asia	2,539	2010
6	Africa	1,560	2010
7	Antarctica	0 (N/A)	2010

Source: World Development Indicators

## **1.2.2NON MONETARY MEASURES:**

### **Education and literacy levels**

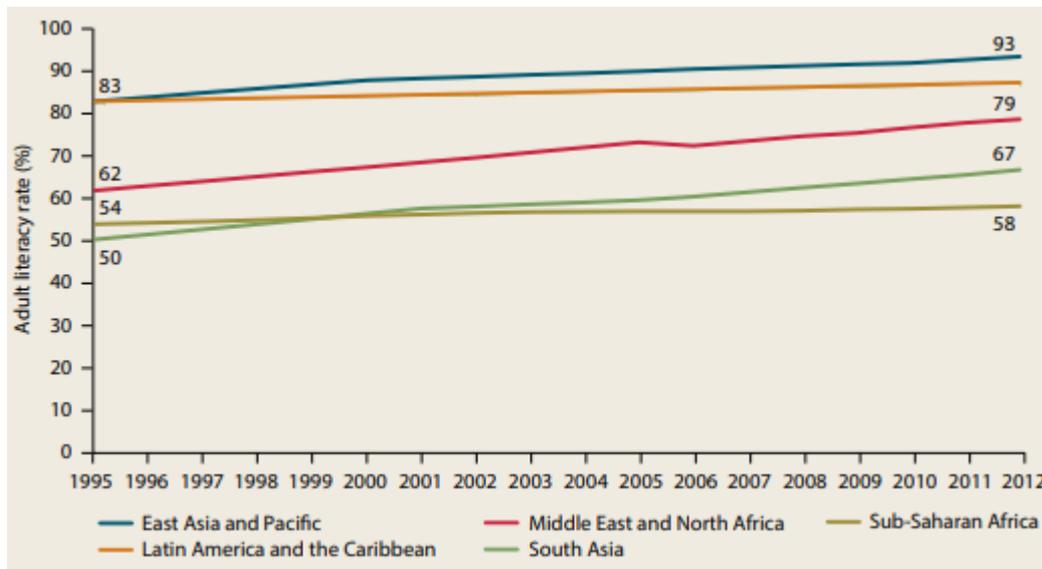
The UNESCO Global Monitoring Report (2016) stresses that education is a pivotal component in measuring poverty in a society. This was summarised by the following statistic provided:

*“171 million people could be lifted out of extreme poverty if all children left school with the basic reading skills. That would be equivalent to a 12% drop in the World’s total”*

*“Absolute poverty could be reduced by 30% from learning improvements outlined by the education commission”*

Education, in other words enables an individuals to expand his/her capabilities with the addition of further access and information processing. According to the African Poverty Report (2016), Africa’s literacy rate stood at 58% in 2012. It was estimated that on average 2 out of 5 cannot read or write. The figure provides a pictorial aspect of Africa adult literacy rates in comparison with other regions:

**Figure 6: Adult literacy rates of the World (1995-2012)**



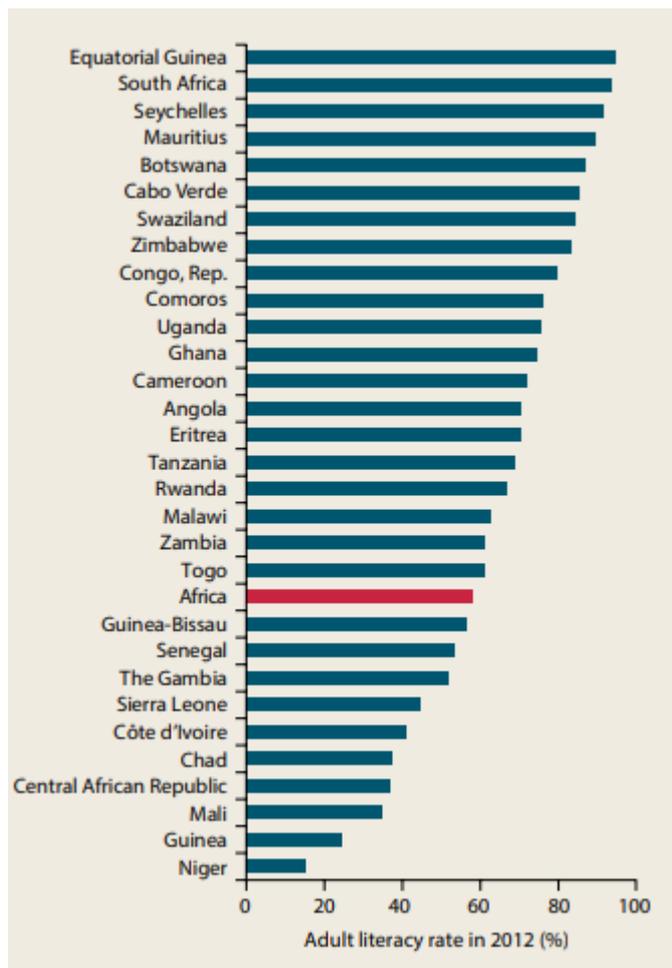
Source: EDSTAT data

From the given figure, it is notable that there has been progress but it is slow. The period from 1995-2012, the literacy level climbed by 4 percentage points. However this growth fairs unfavourably when compared with other regions such as South East Asia, Middle East and North Africa which grew by 17%. The East Asia region grew by almost 10% along with the Pacific which hit 93%.

### **Education and literacy levels on a regional level**

It is important to note that this low literacy level masks the substantial variation across African regions. The African poverty report (2016) stresses that the major countries contributing to literacy mostly stem from West Africa whilst in some areas such as Equatorial Guinea literacy is actually exceeding 90%. These figures are shown below in figure:

**Figure 7: Adult literacy levels as at 2012:**



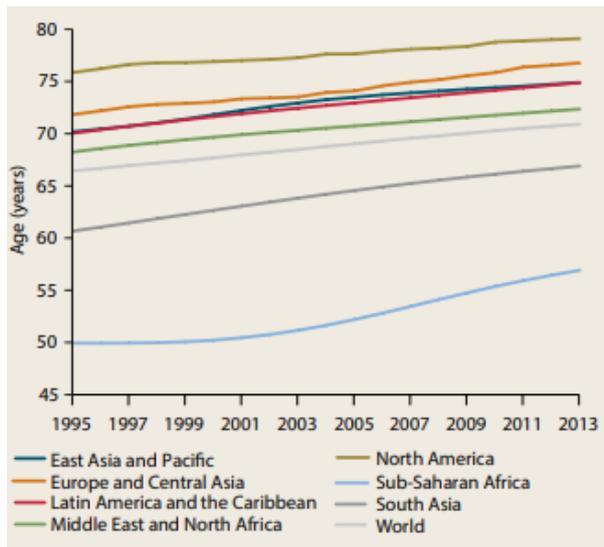
Source: African Poverty Report (2016)

As shown above, most countries exceed the average rate of 58% though some are indeed lagging behind significantly such as Niger which was recorded 18% at that time. It remains to be seen if these rates can be improved.

### **Life Expectancy, Health and Nutrition**

In recent decades, the World Bank (2017) takes note that the African continent has witnessed positive increments in the life expectancy of babies. Babies recorded to be born in 2013 are estimated to live 6.2 years longer than those born in 2000. This was considered a major positive for the region which exceeded that of South Asia which increased its life expectancy by 6.0 years. The image below best summarises the average global life expectancy of the world versus Africa:

**Figure 8: Life expectancy of the World (1995-2013)**



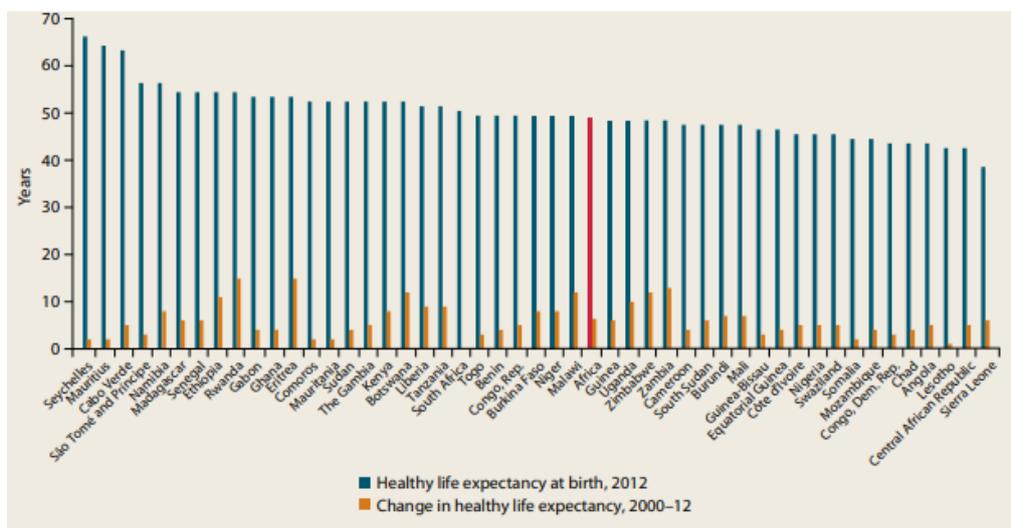
Source: World Bank Indicators

Even so, the figure for Africa (57 years) still falls below the World average of 70.9 years. World Bank (2017) estimates that Africa will take about two decades (20 years) to catch up with South Asia (67 years as at 2013) which is still below the world average as at 2013.

**Regional Trends of life expectancy, health and nutrition**

According to the WHO (2015), the major factors affecting life expectancy in the African region are diseases such as HIV and Malaria. Many more children were reported to have died annually from malaria than from measles, tetanus and pertussis combined. The second highest killer is HIV which was reported by WHO (2015) to have taken over 1.1 million lives which was 4 times as many as the rest of worlds combined (which was 300 000 people). As with literacy levels, life expectancy varies with regions in Africa. This is better explained below in figure:

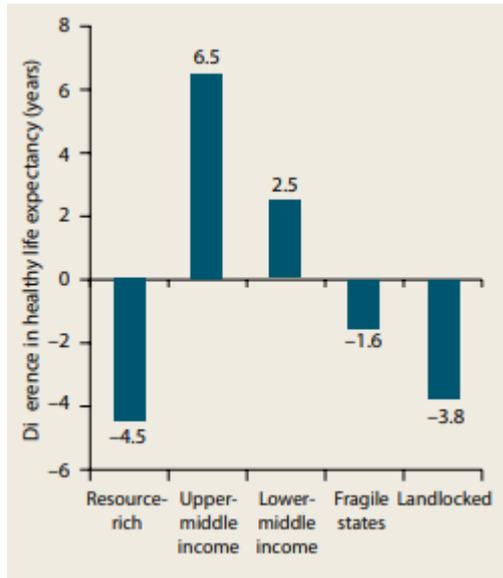
**Figure 9: Life expectancy across African states as at 2012:**



Source: WHO 2015

As noted by the figure above it was unearthed by the African Poverty Report (2016) that life expectancy was likely to be lower in fragile or conflict ridden states. Healthy life expectancy was revealed be lower also in resource rich states such as Nigeria, Angola, and DRC. Top performers were found from the island nations like the Cape Verde, Mauritius and the Seychelles. The figure below further illustrates this found notion:

**Figure 10: Difference in life expectancy (years) as at 2015:**



Source: WHO 2015

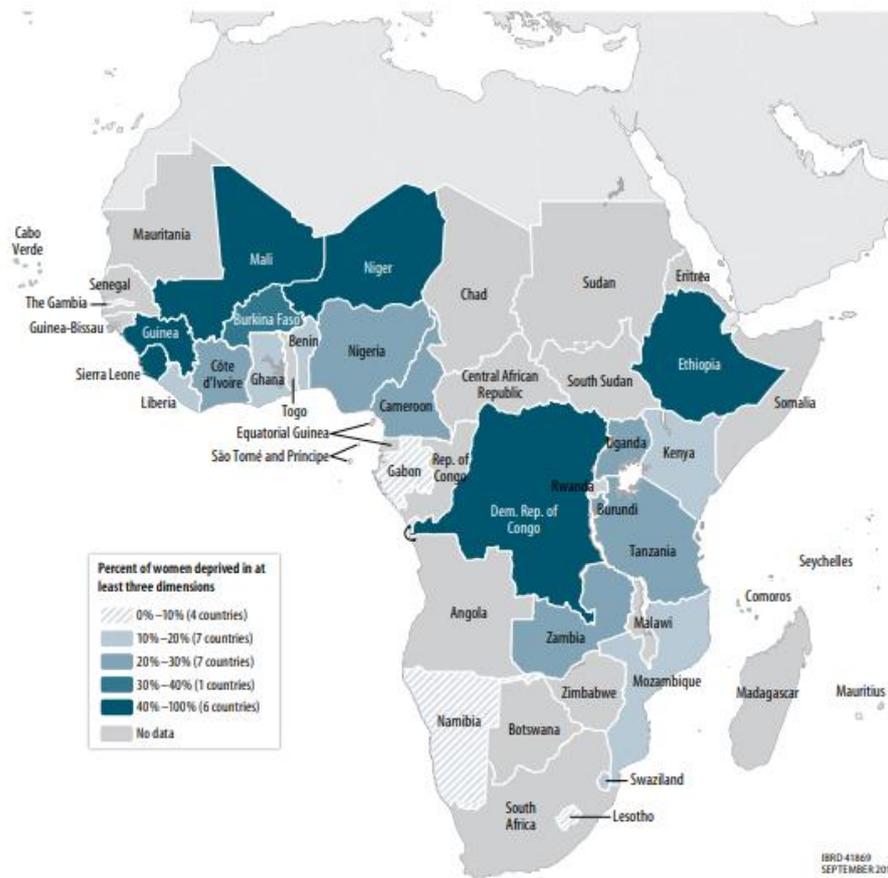
**The Human Development Index/Multidimensional Poverty Index**

UNDP (1990) describes the Human Development Index as “Human development is a process of enlarging people’s choices. In principle, these choices can infinite and change over time, but at all levels of development the three essential ones are: leading a long healthy life, acquire knowledge and access to resources needed for a decent living.” If these essential choices are not available then it is likely that many other choices will be elusive.

Hence from this extract we then deduce that the HDI refers to the share of the population that is poor in certain dimensions (which could be life expectancy, knowledge, resources and many others). Thus the HDI/ MPI can be written as  $M=HA$  where: M-multidimensional poverty index, H-multidimensional poverty rate, A-deprivation intensity.

The African Poverty Report (2016) conducted the study of HDI/MPI on women as they were considered to be the most deprived gender compared to males. Also male data was unavailable at the time of research. Deprivation among women was noted to be widespread as statistics by the World Bank (2017) mentioned that 4 women in 5 (86%) are deprived in at least one dimension. The high rates of women deprivation on the HDI is depicted the following illustration:

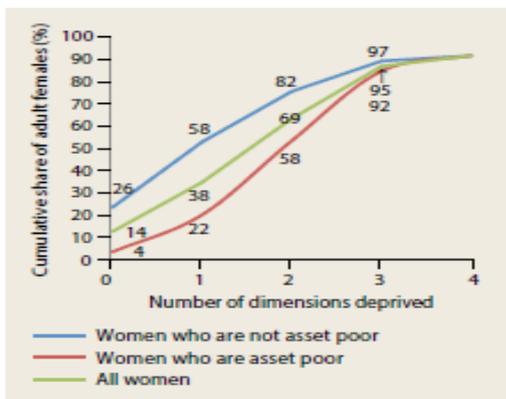
**Figure 11: Women MDI/HDI statistics in Africa (2005-2013):**



With this illustration in mind, it is noted that deprivation is multiple across all dimensions with data indicating that almost 1 in 3 women is actually poor in 3-4 dimensions. Deprivation is therefore widespread but for a particular group and highly concentrated with 1 in 3 realising only one functional or none at all.

Multiple deprivations and the concentration of deprivation are more common among women with less wealth. Close to 42% of asset poor women against 18% percent of non-asset poor women. Difference between wealth classifications are further signified by the following diagram

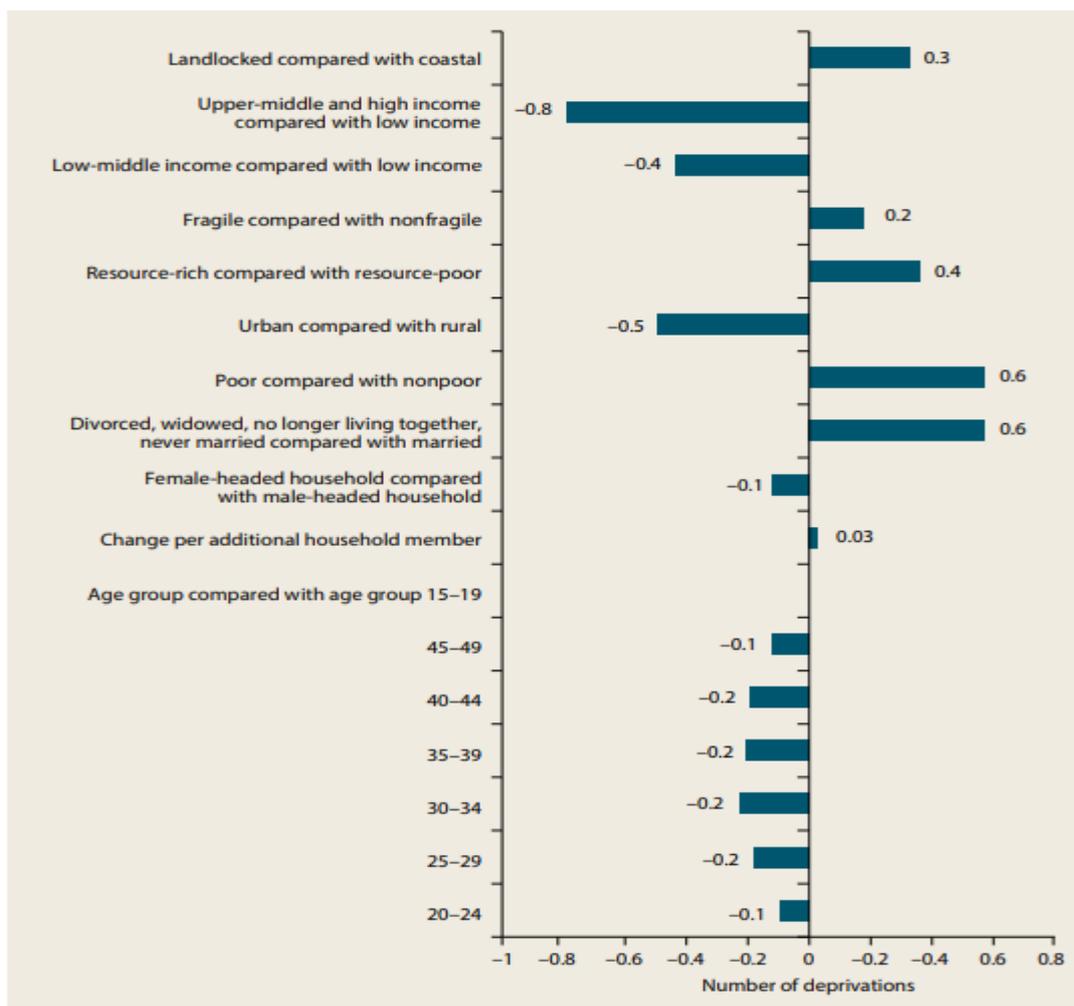
**Figure 12: Asset classifications against deprivations amongst women (2005-2013)**



Source: Data from Demographic and Health Surveys 2005–13.

Further data provided by the African Poverty Report (2016) revealed that multiple deprivation was frequent amongst the younger aged women. Statistics showed that females of the ages 35-49 experienced multiple deprivation half the value of that experienced by those aged 15-19. Figure below shows that multiple deprivation is common amongst the young, divorced, poor, rural, low income women:

**Figure 13: Multidimensional poverty classifications of women (2005-2013)**



Source: Data from Demographic and Health Surveys 2005–13.

To summarise, there has been a notable reduction in poverty trends on average considering the provided data ranging from monetary to non-monetary measures. It is important to note that there are numerous poverty measures or determinants which can be used to ascertain the level of development in states. The provided ones used in the study seem to suggest a degree of decline of poverty for the African region though there is a significant amount of work still needed to be done.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter will entail the theoretical and empirical literature in relation to the causes of poverty in Africa. With the concept of poverty given an introductory snapshot in the previous chapter, more depth and analysis will be gathered by exploring the views of various scholars in this chapter. A conclusive view of the entire chapter will be the seal of this chapter.

### **2.2 Theoretical Literature**

#### **2.2.1 The Liberal Theory**

The liberal theory is a wide contribution of various theorists such as Immanuel Kant, Adam Smith, John Stuart Mill, John Hobson, Woodrow Wilson and John Maynard Keynes. According to Maravcsik (2000), the three specific variants of the liberal theory are based on type of preferences, their variation, and state behavior.

The basic assumptions of the liberal theory are of anarchy and rationality. According to Maravcsik (2000), the anarchy assumption is of the view that states, as they live in a global village, are not susceptible to a single governing body or authoritative force. On the assumption of rationality, states engage in foreign affairs implementing a cost-effective foreign policy that favors their preferences.

Liberals are distinguished from other rationalist theories such as realism and institutionalism in that; states represent social groups, whose views constitute state preferences and, interdependence among state preferences influence state policy. The issue of poverty is affected by the decisions taken by the state in fulfilling their preferences and how they work to meet those ends. The three basic liberal conceptions of poverty are; poverty as a matter of justice, and poverty as a matter of utility, as postulated by (Stark, 2009:392).

The first conception is based on compassion and that no one should be found wanting when others could provide a means to prevent it. The second conception of poverty as a matter of justice, is rallied upon the factor that poverty is an injustice, either as a result by law and politics or uncorrected by them, according to Stark (2009). The third conception understands poverty as question utility, were the state is responsible for organizing legal and economic institutions in a sensible way to address poverty not just for the poor but on a collective societal state.

Various instruments that straddled on the liberal theory to address poverty include; The International Covenant on Economic, Social and Cultural Rights, The Millennium Development Goals (MDGs), and the South African Constitution. The International Covenant on Economic, Social and Cultural Rights was divided into two, being, the Civil Covenant which advocated for the protection of civil and political rights and the Economic Covenant which required the state to assure its people an adequate standard of living and social security, according to Stark (2009). The South African Constitution which was drafted in 1994 and post-apartheid advocated for unequivocal support for economic rights by the state. The MDGs which began to be echoed in 2000 at the non-binding UN General Assembly proclamation to eradicate extreme poverty and hunger.

### **2.2.2 Theocracy**

The concept of theocracy is based on a form of regime in which faith or religion plays the dominant role. First coined by the Jewish historian Flavius Joseph (37 CE- C. 100 CE). According to The Shorter Oxford English Dictionary on Historical Principles (1939:2166), theocracy is a system of government by sacerdotal order, claiming divine commission, a state in which priests exercise political power, or more precisely a state ruled by ministers.

According to Stark (2009) theocrats are in tandem with liberals except in the view of the secular state. Theocrats are of the view that the church and state are separate and it is argued that religion provides a rich sense of community, meaning, and connection. The secular state advocated by the liberals is advocated against by the theocrats, as being immoral, Godless state, in which a moral and spiritual fulfilling life is impossible. Thus religion through the concept of charity, advocates that the responsibility to the poor is that of the individual or the community, and not that of the state, as postulated by Stark (2009).

Ferrero (2009) postulates that despite the likelihood of theocracy to be corrupt and ineffective, it has a comparative advantage over the secular government. The combination of environmental parameters in which the comparative advantage is possible is when the bad state of the world, if it occurs, is disastrously bad, but the probability of its occurrence is low though not negligible, according to Ferrero (2009). The likelihood of the bad state occurring was tested by Ferrero (2009) and concluded that an ideal environment for the rise and dominance of theocracy was created in the history of ancient Israel, where the exiles could look back to the time series of good and bad kings from Saul to the Babylon destruction. It is also evidenced in the history of the modern Muslim world; which offers a cross section of good and bad regimes

at various dates in the 20<sup>th</sup> Century, according to Ferrero (2009). These study postulations advocate in support of the fundamentals of theocracy and thus to poverty eradication.

On the contrary, evidence from Oman and Bhutan (2011) point out to the ineffectiveness of theocracy, as postulated by Ferrero (2009). This is so because, when the theocracy regime is in place for a long time, it is difficult to compute the required observations of the secular government, which will be evidently lacking. This then leads to theocracy to draw back on its demerits of being ineffective and corrupt and thus not an ideal regime for the eradication of poverty in the long-term.

### **2.2.3 Dependency Theory**

According to Samir Amin (1957), the theory of dependency is no single unified theory but rather a contribution by three schools of thought. The three schools of thought are Marxism, the dependency school (so called *dependencia*) and the World Systems School, as postulated by Kufakurinani...et al (2017) (ed). Scholars who contributed to Marxism include Samir Amin, Baran and Sweezy. Ray Mauro Marini, Theotonio dos Santos and Andre Gander Frank are among some of the other academics of the Latin American school who contributed to the *Dependencia School*. The World System School was founded by Immanuel Wallenstein, but Gioranni Arrighi can also be included in this school, according to (Kufakurinani...et al, 2017:13, edited).

Dependency theory holds that, “the condition of underdevelopment is precisely the result of the incorporation of the Third World economies into the capitalist world system which is dominated by the West and North America”, as postulated by Randal and Theobalb (1998:120). The notion of capitalism has it that, the private ownership of resources and the limited relevance of the state in the market economics, disadvantages the Third World countries as the developed countries already enjoy a competitive edge as a result of past events like slavery and colonialism.

According to Emeh (2013), the underdevelopment of Third World economies is possibly as a result of the trade discrepancies between them and the developed economies Third World countries develop and produce primary products for the developed markets. They in turn receive value-added, expensive processed products from the developed economies to fulfill the unfavorable trade cycle. They thus suffer from wealth externalization way in excess of wealth internalization.

The dependency theory is supported by scholars such as Nicholson and Lane (2013), in their advocacy of the foreign development aid. They argue that foreign aid in the form of debt has a significant impact on foreign investment flows to Africa which goes a long way in the efforts to alleviate poverty in Africa. According to Elbadawi...et al (2009) argues that the theory of foreign development aid counter affects development in Africa by curtailing exports as a result of exchange rate overvaluation.

As and how the theory of foreign development aid is criticized, so does the legibility of the dependency theory's postulations. Gatune (2010) further advocates in contrast to the dependency theory, arguing that, Third World economies need not rely on foreign aid but rather focus on mobilization, effective allocation and use of their abundant resources. Their over dependency on developed economies make them to concede policy space to its lenders who have forced them to implement deleterious policies which is in contrast to the theory of liberalism, according to (Gatune, 2010). Iiorah (2008) also adds to the criticism of the dependency theory arguing that dependency by Third World economies deprives them of a source of innovation and indigenous entrepreneurial initiative, weakening any possibility for self-sufficiency prospects in alleviating poverty and spear heading development.

### **2.3 Empirical Literature**

In this particular section, modern studies carried out by scholars explaining the major causes of poverty in societies will be unveiled. These take into account scholarly articles produced to complement or to critic existing theories which were highlighted in the previous section.

#### **Case Study 1: Resource abundance breeds corruption**

An empirical study on the relationship between natural resource abundance and economic growth was carried out for Venezuelan economy by (Satti, Farooq, Loganatha and Shahbaz, 2014). The period which was covered was from 1971-2011. Models that were used in this study included the ARDL bounds for testing approach to cointegration and the VECM Granger causality test. The former model developed by Pesaran, was employed to determine the long-run relationship between the explained and explanatory variables. The latter was employed to test the direction of causality between variables, as postulated by (Satti...et al, 2014). The study results showed that economic growth is dependent on natural resource abundance such as oil in the case of Venezuela. According to Satti...et al, (2014), the economy of Venezuela relies heavily on the oil resource, having contributed to the \$382, 4 billion GDP attained in 2012.

According to Elbadawi (2009) advocated to natural resource endowment as the cause of corruption, something commonly referred to as a “resource curse”. Studies conducted by Sachs and Warner (1997), Leitte and Weidmann (1999); also confirm this cause of corruption in their findings. According to Damania...et al (2005), abundance of fuel, ore and mineral resources had the greatest effect on corruption, which according to literature is the cause of poverty and economic turmoil in Venezuela despite its natural resource wealth and prestigious GDP figures. Thus, corruption as a result of natural resource abundance is the cause of poverty as well in Africa which boasts of large natural resource reserves.

### **Case Study 2: Rural Poverty in Ethiopia**

Bogale, Hagedorn and Korf (2005), carried out a study on the determinants of rural poverty in Ethiopia. A period between 1999 and 2000 for 149 rural households were selected. The Foster-Greer-Thorbecke (FGT) poverty index was employed for the study. The study results showed that about 40% of the chosen rural sample households live below the poverty line and the poverty gap being 0.047. The cause of poverty in nearly half of the population was mainly attributed to the lack of resource ownership such as land, human capital and oxen. The theory of patriarchy whereby women are disadvantaged from resource ownership due to past cultural, social and political dictates is much evident in this scenario. This is so because the majority of the populates in the rural areas in developing countries are females as most men migrate to the urban in pursuit of formal employment, such that they provide for their families.

The study by Bogale...et al (2005) is in accordance with the postulations of Kahsu and Nagaraja (2017) in their study on the relationship between growth and poverty in Ethiopia. Kahsu and Nagaraja (2017) postulate that a change in inequality has a positive and insignificant effect on poverty and that economic growth has a negative and significant effect on poverty. Economic growth is fuelled up by access to, efficient use of economic resources which include land, labor, capital and enterprise. The contribution of growth to reducing poverty far outstrips that of inequality to increase poverty, on a “*ceteric paribus*” condition.

The postulations of land ownership being a significant variable to poverty reduction were disputed by Chidoko, Sakuhuni, Dhoro and Gwaindepi (2011). They argue that land ownership can be vital in reducing poverty as it acts as a source of collateral for accessing credit. This however as their results advocated against, is not a viable option to use land as a means of collateral in Zimbabwe, as the valuation of land is a difficult to a nearly impossible process to attain, hence it is not favored and/or accepted by credit granting financial institutions. The prevalence of catastrophic climatic conditions such as drought and hailstorms in developing

countries and their inability to cope with them contributes to the insignificance of land as a means to reduce poverty.

### **Case Study 3: Economic Determinants of Poverty in Zimbabwe**

Chidoko et al (2011) carried out a study on the economic determinants of poverty in Zimbabwe. The consumption function model was employed as poverty is defined in terms of lack of basic economic resources, that is, autonomous consumption. Cross sectional data for Zimbabwe for the period of 2005 was considered using the regression analyses to analyze the dataset. Conclusions were made being; land ownership, livestock total, health status and remittance status were insignificant in explaining poverty.

The age of household head was statistically significant, where households headed by older individuals in rural areas will tend to be poorer than those headed by younger individuals. This is in tandem with the concept of dependency load in population demographics where the younger people are considered economically active and the older people considered dependency load. It however is not universally applicable, especially in present day Zimbabwe where the older people have access to economic resources for example pension benefits as opposed to the younger generation who are at a disadvantaged position attributable to the economic crisis in Zimbabwe.

The study postulations of Chidoko...et al (2011) are supported by Kabuga and Adamu (2015) in their empirical study of rural poverty in Nigeria. Their study findings postulate that factors explaining household poverty in rural areas are age of the head of the household, gender of the respondents, household size, non-farm jobs and years of schooling. Factors such as household income, asset ownership and the dwelling unit type were insignificant in explaining the probability of being poor. The relationship between age of the household head and poverty was estimated to be positive. The study also concludes a positive relationship between household size and the probability of being poor.

### **Case Study 4: Effect of Apostolicism on Maternal Mortality in Zimbabwe**

Dodzo, Mhloyi, Moyo and Dodzo-Masawi (2016), carried out a study to find the implications of Apostolicism on maternal mortality in Zimbabwe. Religion as advocated by the theory of theocracy is vital to the alleviation of poverty in developing countries. In this view however, religion can be a source of adversity in the fight to poverty as some of the ethos and values of the church contribute to the socio-economic deprivation of the society. The study made use of

15 key informant interviews in 5 purposively selected districts of Zimbabwe, according to Dodzo et al (2016). The opportunistic and snow-ball sampling techniques were used to select the respondents and the data analysis was conducted using the Ethnography software.

The study results showed that the beliefs and practices of Apostolicism promote high fertility, early marriages, low or zero uptake of birth control measures and resilience to hospital assistance. These negative socio-cultural turnouts are possibly as a result of polygamous practices, lack of education, and predominance of patriarchal setups in the churches as well as the misconception and/or manipulation of the actual bible teachings. In this regard, religion contributes to the prevalence of poverty, also evidenced by high maternal mortality as postulated by Dodzo et al (2016). In spite of alleviating poverty in Zimbabwe, Apostolicism is contributing rather to its widespread, to a larger extent, as they are masterminds in creating it and placing further fiscal burden on the government in trying to curb it.

These study postulations in portraying the view of the church in poverty alleviation are not in tandem with the views of Yeboa-Mensa (2012). Yeboa-Mensa (2012) postulate that the role of the church in the provision of basic needs has been of great significant. Notable examples include the struggle against abuse of human rights such as the apartheid in South Africa, and abuse and/or subordination of women and children according to Yeboa-Mensa (2012:95). The role of the church is also supported by the over importance of Non-Governmental Organizations (NGOs), as these are an influential part in alleviating poverty, most of them being funded and/or affiliated by church organizations. Examples include the Society of Catholic Social Scientists (SCSS), Catholic Family, Caritas Zimbabwe later renamed to Catholic Development Commission (CADEC) and Human Rights Institute (C-FAM) among others. According to Morton (2011), International Non-Governmental Organizations (INGOs) are providing more aid to developing countries than before and their budgets have surpassed those of some Organization for Economic Co-operation and Development (OECD) donor countries.

In light of the significance of the church however, not all churches are in participatory with humanitarian works and the provision of aid through INGOs. According to Rees (2001), the Church (example the World Council of Churches) is skeptical to associate with the secular institutions including International Financial Institutions (IFIs). Apostolicism in this respect is not an exemption as its participation with the health and education secular institutions is evidently questionable and unsupportive.

### **Case Study 5: Religious violence in Nigeria affecting development**

Canci and Odukoya (2016) conducted studies on the effect of religion related violence on the State of Nigeria. They noted that religious and ethnic nationalism has led to conflicts about control of state power, unequal allocation of resources, citizen issues, state collapse, economic decline and ethno-religious. This was endorsed by Osaghae and Suberu (2005) who advocated that Nigeria was revealed to have been pushed hither and thither by recurrent crisis of regional or state illegitimacy, often impairing efforts at economic transformation, democratization, national cohesion and stability. Nigeria has often been considered to be synonymous with deep divisions which cause major political to be often contested along ethnic and religious lines. Osaghae and Suberu (2005:4) postulated that Nigeria ranks highly amongst the most highly unstable states in Africa. Since its independence, it has been driven deep into conflict along religious grounds.

According to World Population Prospects (2015:21) Nigeria has an equal division of both Christians and Muslims and lot of lives have been lost in clashes such as the Kaduna Crisis of 2000, Jos Riots of 2001. Most recently, a terrorist group known as Boko Haram has wreaked havoc in Nigeria has seen thousands of lives lost and numerous kidnappings. Canci and Odukova (2016) concluded by highlighting the effect of these religious conflicts on development of the country. They noted that though GDP has often been the largest in Africa, religious conflicts have to displacement of people as they escape conflict. Mortality rates amongst children in rural parts has increased by 5% as noted by the World Bank (2017). Also, these clashes have led to inequality amongst the local folk as employment opportunities have been largely influenced by religious links.

### **Case Study 6: Apartheid and Inequality fueling poverty trends in South Africa**

Viljoen and Sekhampu (2013) carried out a study on the impact that Apartheid had on urban poverty in South Africa. The study aimed at exploring the tripartite aspects of the Apartheid policy that caused urban black poverty and still evident today. The three aspects considered were; racially enforced relocations, the nature of housing provisions for blacks, the character and regulation of urbanization, as postulated by Viljoen and Sekhampu (2013).

The distribution of income in South Africa is among the most unequal in the world. The country is classified as an upper middle-income country, according to (IMF, 2014). Esposito...et al

(2016) postulates that the BRICS (comprising of Brazil, Russia, India, China and South Africa) are usually known for their tremendous growth potential. Regardless of the elite economic status South Africa boast of, a vast proportion of its population lives in absolute poverty, characteristics common to low-income countries.

Viljoen and Sekhampu (2013) postulate that, there were missed opportunities for black investment in urban property due to the forced relocations during the Apartheid regime. Apartheid retarded development of community structures, commonly referred to as the ‘township’, and that is where most blacks lived. Black urban residents earned very low wages in unskilled jobs and could not even meet basic needs, thus, savings for future development and investment in education became an anomaly and/or luxurious aspiration. Many students who were affected by the political upheavals and stayed home, did not complete their education, meaning their present lifestyle are being haunted by their unjust past during the Apartheid regime.

According to Viljoen and Sekhampu (2013:733);

*“Land dispossessions followed by race-based separate development policies together with influx controls, have left a legacy of misdistribution of wealth and marketable skills, spatially divided households, and inferior living conditions for the majority.”*

The study findings of Viljoen and Sekhampu (2013) are evidenced by the present day racial segregation in terms of living standards. Most of the white minorities are mostly located in the Cape provinces whereas there are a fewer blacks in that region. Cities such as Cape Town and Port Elizabeth are pivotal to note regarding this housing geographical disparity. Most black majorities reside in ‘shanty towns’, townships and the famous Soweto Township is one to note; where development is extremely lagging.

A noticeable difference is also in the employment sector were most blacks are captured in the blue collar jobs of mining, farming and construction as opposed to the majority of whites employed in white collar jobs in sectors such as insurance, banking and if in the primary industry, occupy managerial posts. Viljoen and Sekhampu (2013) conclude that, South is thus still dealing with the consequences of institutionalized discrimination attributed to the country’s Apartheid regime history.

These study postulations are in tandem with the findings of Biyase and Zwane (2018), in their empirical study of the determinants of poverty and household welfare in South Africa. They

conclude that levels of education, race, gender, employment status, marital status of the household head and dependency ratio are statistically significant in explaining household welfare. Their findings also show that the probability of being poor for households in the Eastern Cape, KwaZulu Natal, Northern Cape provinces, is significantly higher than that of the Western Cape province.

The study of Biyase and Zwane (2018) was carried out in the rural areas of South Africa. The model used for the study was the fixed effect via a robust alternative based on random effect probit estimation, so as to capture unobserved individual heterogeneity and endogeneity. Results also showed that educational levels of the household head reduce the probability of being poor. Biyase and Zwane (2018) conclude, suggesting that investing in education and improving the economic conditions of the rural dwellers should continue to be a priority in efforts to alleviate poverty in South Africa. Investments in education which were strangled by the Apartheid regime are seen to be the core in improving the livelihoods of the South African majority and contributing to the development of the society, socially and economically.

The postulations of Biyase and Zwane (2018); Viljoen and Sekhampu (2013) are criticized by Westaway (2010). In the conference paper presentation on rural poverty in South Africa, with the consideration of the legacy of Apartheid or consequence of contemporary segregationism, Westaway advocates against the validity of Apartheid being the cause of present day rural poverty in South Africa. According to Westaway (2010:1), rural poverty in 2010 cannot be explained as something left behind from a concluded era of Apartheid, as its causes and drivers are not dissimilar now in 2010, from what they were in 1970.

The entrenched and worsening so-called legacy of Apartheid and segregationist and-that of deepening divisions between the Bantustans and former RSA areas –are possible only because of the renewal of practices of segregationist after 1994, according to (Westaway, 2010:14).

This means that the legacies of the Apartheid ‘horrors’ are only inflicting South Africa at the present moment because the Apartheid’s regime policies are still being implemented in its aftermath. These relate to labor policies, housing development policies, land ownership, parliament structures and representation among others.

### **Case Study 7: The questionable role debt relief programs by Financial Institutions**

Recent studies carried out by the World Bank (2018) through its debt vehicles called Heavily Indebted Poor Country Initiative (HIPC) and Multilateral Debt Relief Initiative (MDRI) reveal that to date 30 countries have been afforded debt relief of close to \$99 billion. This has had profound criticism due to the conditions or “clauses” that come attached with these loans. The major concern here is that the higher interest rates charged for these loans from financial institutions such as the IMF, the World Bank and other related financial institutions cripple development initiatives of these developing countries as they put more effort in servicing these loans.

According Thompson (2010) Structural Adjustment Programs (SAPs) provided “conditional” lending in the sense that the borrowers/recipients had to adjust or reshape their economic policy. In general, this adjustment came in the form of liberalizing and privatizing of subscribed sectors and operations. This sentiment was further echoed by Fatton (1992) who adds that Structural Adjustment Programs (SAPs) were a detriment as opposed to helpful due to the “Capitalist” parties driving these loans. Fatton (1992) these economies advocated the liberalization of industry so as to enable the reduction of trade restrictions such as export charges and to also be charged less for imports through private institutions.

The most common example of how structural adjustment programs failed the African states is that of implementation of ESAP in Zimbabwe. According to Thompson (2010) some of the fiscal reforms included cutting down the civil service wage bill, subsidies’ reductions to parastatals. Although the government followed this initiative, the wage bill remained high and the slow reform of parastatals contributed to government debts. This in turn fueled high inflation and money growth surged. On the revenue side, by lowering tax charged to individuals and corporations this lead to reduced tax revenues thereby keeping the fiscal debt high. To add to all this the drought further lowered government revenue as drought relief programs gobbled treasury. The programs social dimensions of Adjustment (SDA) was one of the packages which came together with ESAP according Thompson (2010) this aimed to address the transitional hardships which came with civil service downsizing. The independent (2004) reported that the SDA suffered from many problems including poor analytical work which lead to poor targeting of beneficiaries. The program was concluded to have suffered from being underfunded, overly centralized and much of the staff efforts were diverted to drought relief programs. Hence it was then concluded that the ESAP left Zimbabwe worse off than initially thought.

### **Case Study 8: Ill-advised monetary and fiscal policy**

More often than not African countries have shot themselves in the foot through questionable economic policies. These have directly lead to poverty in those respective countries. This issue is close to home as Zimbabwe has found itself on the receiving end of these policies. According to the Zimbabwe Independent, The Reserve Bank of Zimbabwe in 2016 introduced bond notes of addressing liquidity challenges which were plaguing the country at that time. These notes were pegged in tandem with the US dollar. Interestingly these notes were backed against a loan facility obtain from AFREXIM bank of \$200 million which was funding their printing.

The obvious effect of this was that there was a notable case of bank runs. These according to the Zimbabwean Independent (2017) was the rush by depositors to withdraw their US dollar deposits to avoid holding these bond notes. As a result, Zimbabwe has been in foreign currency shortages since this monetary measure. Currently as reported by the Zimbabwean Independent (2018) there are 400 million bond notes in circulation and about \$1.5 billion US dollars in the country though most of it is reported to be held by institutions and individuals as “reserve” against the bad money (bond notes).

Such currency mismatches have led to the development of the black market/parallel market which arbitrage currencies for profit. The Zimbabwean independent (2018) reports that the bond note has peaked to over 80% against the US dollar. Hence this has lead retails and business increasing their mark up on products and services due to the forex shortage and high conversion from bond to the American dollar. This has seen price surges on basic commodities such as bread and cooking oil by retail outlets. This has overly affected the ordinary citizen as the purchasing power parity is reduced due increased cost of commodities.

### **Case Study 9: Foreign and Domestic debt coupled with fiscal indiscipline**

Zimbabwean, again finds itself in this unfortunate predicament. The Zimbabwean Independent (2018) reported that Zimbabwean government owes a total of \$5.6 billion in debt to both private and public institutions. The effect of this has seen the reduction of development programs such investing in health and social welfare. The result of this has seen “controllable” diseases such as cholera continuing to resurface now again since 2008. The government because of this debt obligation is “restricted” in terms of spending as it focuses on repayment.

One of its “solutions” to debt management on a local front has been to roll financial instruments such as treasury bills. Local paper, the Zimbabwean Independent (2018) reported that the

currently has issued close to \$2 billion in treasury bills. This has been used together with tax revenue to address the civil wage bill which constitutes close to 80% of government spending. This has in turn crippled investment in economic development which has seen poor industrial growth. The Zimbabwean Independent (2018) also adds to this by mentioning the unemployment which stands at close to 90% due to underdevelopment of industry and fiscal indiscipline.

On the foreign front, The Zimbabwean Independent (2018) postulates that Zimbabwe currently owes \$6 billion in foreign debt to multilateral creditors (such as IMF, World Bank), Paris Club (lending group of nations) and informal creditors. Economic development is largely constrained as the government can hardly generate enough to pay its civil workforce. Hence it is likelihood to focus on debt repayment as opposed to investing in social justice and economic welfare.

#### **Case Study 10: Hidden “Recolonization” by Asia**

According to Harvard Politics (2017) Africa is no stranger to exploitation as it has endured decades of colonial rule from major Western powers which has left the continent haunted by harsh imperialist rule that has set it back in modernization terms. From 1970, Harvard Politics (2017) notes that Africa has received a total of \$300 billion in developmental assistance alone. Currently, the continent’s largest trading partner is China and most countries have been drawn to it’s so called “no strings” attached developmental assistance.

While it has been considered as a good way to develop, scholars are beginning to notice certain vestiges of colonialism evident in this relationship. Infrastructure programs funded by the Chinese government, for example, are often carried out by Chinese workers. Instead of giving local companies and citizens a vital opportunity to grow experience and capital, these contracts overwhelmingly benefit Chinese corporations and bring in massive profits. The Chinese Ministry of Commerce reported \$50 billion in new contracts in 2015. The following year, the China Railway Construction Corporation (CRCC) announced over \$five billion in contracts within Africa. Chinese goods are also flooding African markets, overwhelming local producers with large volumes of cheap products that are difficult to compete with. Moreover, in industries that do employ African workers, companies are still not exempt from criticism. In 2011, Human Rights Watch released a scathing review of treatment of Zambian workers in Chinese owned copper mines, claiming unsafe working conditions, exploitative hours, and threats to those that posed complaints.

The Chinese have also been accused of taking advantage of debt stricken nations who have no choice but to borrow from them as financial institutions would require certain economic adjustments. Zambia has fallen into this trap, as the Economist (2018) reported that China now holds almost a quarter of Zambia's debt and has been reported to be in line in taking control of its local airport amongst other businesses.

### **Case Study 11: Role of donors**

Legitimate questions have been raised about the way aid is given, received and utilized, and there is an increasing concern about the future of aid in the region. Emeh (2013) mentions that some of the leading critics of development aid have even gone to the extent of questioning the need for aid – arguing that the idea of aid is ill-conceived and entails a pouring of resources into the bottomless pit of the Third World where there appear to be few returns except ingratitude, abuse and misuse of aid with no accountability. Fighting poverty by supporting economic growth and development in the developing countries has been, and continues to be, a major objective of foreign aid, originally conceived as temporary assistance which could be phased out when a country reaches a point of development 'take-off. According to Carlsson et al., (1997), Sub-Saharan Africa has been a long-term recipient of foreign development assistance and most countries in the region have, since their independence, become increasingly dependent on aid. Unfortunately, the impact of aid has been largely disappointing both in terms of the degree of dependency on aid resources and economic growth performance. In fact, the region has fallen behind the rest of the developing world in virtually all the crucial indicators.

### **Case Study 12: Externalisation effect on the development of African States**

Illicit funds transfer has brought about various definitions and interpretations amongst institutions and reputable scholars. Some of the various definitions of illicit funds transfer are depicted as follows. The High Level on IFFs (2015) postulates that illicit financial flows are activities that “While not strictly illegal in all cases, go against established rules and norms, including avoiding obligations to pay tax”. According to Cobham (2015) illicit financial flows are by nature hidden whether illegal or generally unacceptable to the public. Newsday (2018) reports that funds amounting to \$US 2.85 billion were illicitly channelled out of Zimbabwe from 2009-2012. ZIMCODD (2018) concurs with this by further claiming that “The \$1.4 billion externalised by individuals and companies was sufficient to finance the entire budget for education, health and infrastructure”. The externalisations of funds in Zimbabwe, led to an overall shortage of hard currency in the country. This was accompanied by the implementation

of bond notes which ultimately led to cash scarcity (“bad money chasing away good money” principle in economics). For manufacturing firms, the shortage of cash or cash equivalents often leads to inability to meet the day to day operations of the firm which may include equipment repairs, fuel for operations and so forth. What this then does is that it lowers the companies working capital (current assets/current liabilities). This also affects other liquidity components such as the quick ratio and cash ratio. The available cash balances will be stated on the company’s cash flow statement.

Liquidity is also likely to be affected due to increased amounts of prepayments made by manufacturers as a hedging tool against price fluctuations in the market. Price changes of raw materials needed for operations will likely lead to creditors charging more for their services. Thus companies tend to hedge against this by making prepayments which in turn reduce the liquidity position of the business. Illicit financial flows reduce government revenue. In turn this impacts on the overall fund allocations to industries. As the fiscal deficit widens, less and less funds are allocated to respective sectors. As such firms become constrained in not only accessing funds from local financial institutions but also maintaining operating costs as debt financing is inherent in businesses. Financial institutions become unwillingly to lend funds as they are unsure of the ability of firms to repay back funds.

## **2.4 Chapter Summary**

Theories, concepts and empirical evidence reviewed in this chapter have pointed out on the factors contributing to poverty. The major literature gap was the lack of strong empirical support on the dependency of third world countries on their historical colonies in efforts to alleviate poverty in the African region. This could be generally applicable to the overshadowing of the dependency theory by the self-inflicted internal practices African countries adopt in contributing to poverty creation rather than alleviation. A major positive point of reference which was highlighted is the linking closely well of the theoretical postulations and the empirical evidence gathered. A critical evaluation of literature will be done to give a comprehensive and factual conclusion in view of this study.

## 2.5 RECOMMENDATIONS

### **Need for “think tanks” or technocrats in policy formulation**

More often than not most policy decisions carried out by African states have been done so by leaders with little or limited knowledge in the subject matter. As the Independent (2018) reported, government appointments tend to be biased towards ruling party egotism. This was evidenced in past times as we have saw at some point Mr Patrick Chinamasa heading the finance helm yet he is trained in the judiciary aspect of things. Had he been adequately trained in finance he would have foreseen the idea of adopting bond notes by the Central Bank of Zimbabwe as a monetary mishap The Government made amend by appointment a financial academic in the fold of Mthuli Ncube who according to the Zimbabwean Independent (2018) has a PHD in Mathematical Finance from Harvard and was at some point the Deputy President of the African Development Bank. Testimony this we have seen some positive ideas to help rescue Zimbabwe from its financial demagogue which it is currently facing. Some of these ideas have included doing away with the bond note and re engaging multilateral institutions with regards to foreign debt.

A similar situation was reported in South Africa by Africa Check (2016) which reported that Jacob Zuma’s finance minister who he had appointed Des van Rooyen had no record of having obtained his metric at any point. Interestingly his predecessor Mr Phravin Ghordan held a Bachelor of Science degree in pharmacy and one wonders why such people are given such diverse posts and yet highly qualified personal in that field exist. The role of think tanks cannot be ignored when it comes to policy implementation.

### **Economic Empowerment programs**

By empowering the local people, certain traits of poverty can be alleviated including inequalities in income, over reliance on grants, violence and social welfare. Economic empowerment aids in the promotion of Millennium Development Goals (MDGs) were mainly center on poverty eradication. One of the notable efforts in empowerment was the establishment of the Black Economic Empowerment program in South Africa. According to Wikipedia (2018) this was established to redress the inequalities of Apartheid by giving blacks economic privileges such as skills development, ownership management and socioeconomic development. By 2015, Africa Check (2016) reported that close to R350 billion worth of BEE deals had been conducted by the top 100 companies on the JSE with an additional R50 billion concluded by private South African companies indicating that South Africa’s GDP had been transferred to 20% of the population in the 15 years since 2000.

### **Regional Integration amongst states and having one unified voice**

Shah (2013) advocated that International development policies and strategies were unable to help Africa achieve sustainable development as many states did not adequately react to programs that were meant to correct some discrepancies within the governments. As a result, it was noted the need to adopt a uniform strategy and policy approach to poverty eradication and promotion of economic development. These large calls for the need to adopt comprehensive approach have been listened to through various measures. African Leaders adopted at the 16th Ordinary Session of the OAU, held in Monrovia, Liberia, in July, 1979, the "Monrovia Declaration of Commitment of the Heads of State and Government of the OAU on the guidelines and measures for national and collective self-reliance in economic and social development for the establishment of a new international economic order" (LPA 1980- 2000) In adopting the Declaration, the Ministers and Experts were looking for efficient and adequate strategies that could facilitate growth for economic development. From the Lagos Plan of Action that paved way to the creation of the New Partnership for Africa's development (NEPAD), the African Peer Review Mechanism (APRM) as well as the Pan African Parliament (PAP), the aim of Head of States and Governments was indeed to eradicate poverty and put Africa in the path for Socio-economic development. But past and current experiences continually demonstrate that, Africa's economic performance is hampered by heavy foreign debts which cause many challenges for economic development. This severely affects any attempt to engage in public reform.

### **Reading the "fine print" of loan requirements**

According to Ajulu (2005) Africa should take time to study the terms of references when they are borrowing funds from international creditors. They should insure that, the debt will not harm the countries or the people in the indebted countries. In the case of a dispute, the issue should go for arbitration. This is why it has being advised that, an international court should be established with the blessing of the United Nations in order to look into arbitrations issues related to debt in developing countries. Regional parliaments should equally establish credible arbitration courts that deal with issues related to business between governments and bilateral as well multilateral partners.

### **The Cancellation of debt by Multilateral Institutions**

The Implication of Debt Cancellation on Africa's Development The higher interest rates attached to the funds borrowed by African countries have crippled African economies for decades and there is no doubt that, the cancellation of debt will certainly have a positive impact on development in the continent . However, for this cancellation to become effective, it should

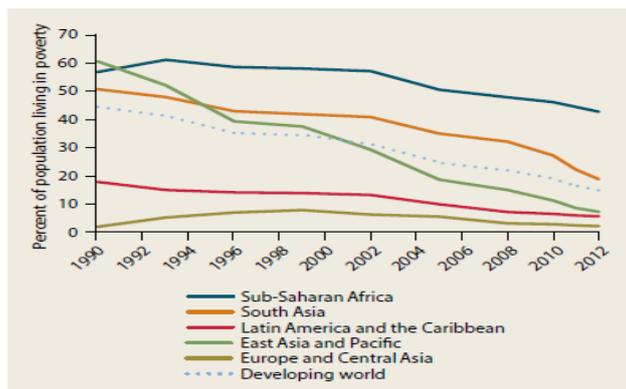
be followed by the strengthening of national institutions such as the office of the Auditor General and the Office of the Public Protector. These institutions should operate autonomously in order to fight corruption, maladministration and the misuse of public funds/goods. The strengthening of these institutions will support good governance initiative that promotes transparency and accountability which are powerful instruments that support development strategies. Therefore, the cancellation of Africa's debt could generate billions of dollars in savings that could be used for economic and human development. These savings, if well managed, could ignite socio-economic development through the construction and maintenance of roads, the building of health care facilities and the improvement of education systems. In order to promote good governance, the government should introduce decentralisation as a policy and a strategy. Decentralisation should be viewed as a public sector reform strategy in the management of public debt in order to check discrepancies at all levels of government and in all sectors of the economy.

It is in support of the above that ,the OECD (2015) convincingly asserted that decentralisation reforms should be related to legal acts and administrative measures that initiate a transfer of responsibility in the form of authority, resources (human and financial) and rules (institutions) from central government to local authorities. However for decentralisation to be effective it should be characterised by the devolution of power where there is transfer by law and other formal actions, of responsibility, resources, and accountability. According to Olinto et al (2014) local authorities should be given the opportunities to identify projects and implement them at local levels using the funds allocated for that purpose. Proper mechanisms should be put in place in order to monitor and evaluate the impact of these projects at local levels. Once the principle of decentralisation is effectively active, the funds allocated through the budget and international donors will be used adequately and countries are likely to experience economic growth in such a way that local and international investors could be attracted to invest in all related sectors. Countries in this way will realize their dreams of becoming emerging economies around 2035. All regional economic communities in Africa are therefore called upon to work together under the African Union and its program NEPAD in order to improve their debt management systems. The harmonisation of policies and regulations is critical in the area of trade in order to promote intra-African trade.

## CONCLUSION

- It was also noted that poverty causes in the African state were as a result of self-inflicted causes such domestic policies in relation to foreign relations, industry and monetary policies which were noted to be detrimental by nature when it comes to social and economic development. It was also observed that the role of politics cannot be ignored as it plays a key role in all decisions made by ruling government.
- Poverty trends in Africa have been on the decline since the turn of the century. It is important to applaud the role played by donors, governments and institutions in the battle against poverty. However Africa is still ranked 1<sup>st</sup> when it comes to rates of poverty thus indicating the need to step up efforts to curb this phenomenon. The figure below provided by the African Poverty Report (2016) indicates the general trend of poverty has been on the decline:

**Figure 14: Percentage of people living in poverty**



Source: World Bank 2016.

- The most unequal countries in the World are in Africa and reside in the Sub Saharan region which includes Zimbabwe. This has been attributed to high income disparities between rural areas and urban zones. This, from a regional perspective indicates that inequality is high among Africans and this has been attributed to lack of education and high levels of fund mismanagement along corruption by those at the top of the “food chain” in both corporate and industry related professions.
- Literacy levels remain a source of concern in Africa, though the World Bank (2017) mentioned the rise of adult literacy rates by 4% between 1996 and 2012, this notable progress has since levelled due to inadequate funding of education by most states.

- Deprivation remains high in all dimensions especially for females. Most still do not have access to the fundamental resources such right to education, electricity and career opportunities. This has been attributed by cultural influence in African states which are still hesitant in modernization and continue to adopt outdated stereotype views with regards to women.
- Political unrest and civil conflict has also played a significant role (though negative) in encouraging poverty traits in the African region. Notable cases such as civil conflicts in the DRC have stunted progress and have led to unnecessary losses. Also, these conflicts have also given birth to fund looting by top officials and this has deprived social welfare and economic upheaval
- As mentioned in previous chapters, debt obligations have to be considered when it comes to the question of why Africa is in a poor state. A large chunk of these African countries are riddled in debt. This debt comes at a price as high rates of interests are charged when it comes to their repayment. Also domestic debt is high in most nations such as Zimbabwe and this has starved and scared away potential investors. All this boils down to poor policy blueprints which normally kick start these problems.
- Donor aid has created a “moral hazard” as a countries have become too dependent on assistance and thus fail to develop their own solutions to crisis elements. As such this has seen nations take a backseat role knowing that the likes of UNICEF, WHO will always chip in to assist.
- The issue of employment continues all corners of Africa. Most countries have over 50% of their working age youths being unemployment. Industry revival thrives on new ideas and capable labor force. Without these, it has been noted that most of the local industry has been performing dismally due to reduced capacity utilization. Companies are forced to downsize due to unbearable economic conditions.
- Measuring poverty in Africa still remains a challenge. Though the coverage, comparability, and the quality of household surveys to monitor living standards have improved. Still by 2012, only 27 of the region’s 48 countries had conducted at least two comparable surveys since 1990 to track poverty. Regular and good quality GDP, price and census data are also lacking. Technical approaches can fill in some gaps, but there is no good alternative to regular and good quality data.
- Poverty in Africa may be lower than current estimates suggest but more people are poor today than in 1990. The latest estimates from the World Bank show that the share of

Africans who are poor fell from 57% in 1990 to 43% in 2012. Limiting estimates to comparable surveys drawing on non-consumption surveys, and applying alternative price deflators suggest that poverty may have declined by even more. Nonetheless, even given the most optimistic estimates, still many more people are poor because of population growth, more than 330 million in 2012, up from about 280 million in 1990.

- Health, nutrition, education and empowerment have improved, and violence has diminished. The challenges remain enormous: more than two in five adults are still illiterate, and the quality of schooling is often low. After a decade of relative peace, conflict is on the rise. Non-monetary welfare indicators are weaker in resource rich countries, conditional on income, pointing to the unmet potential of natural resource wealth.

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