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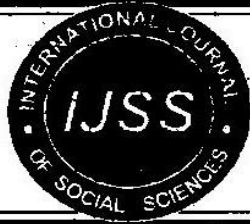
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Globalization and Well-being in Sub-saharan Africa: A Cross-Country Multivariate Analysis

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ABSTRACT - In recent times, a lot of facts have emerged showing that the improvement in well-being of the people in less developed countries is not without certain external factors, like the new globalization. To corroborate this fact, this paper examined the influence of globalization on the well-being of the people in Sub-Saharan Africa. The result obtained indicates that out of all the globalization components considered only direct foreign investment and democratic values have positive impact on the well-being of the people, while the other variables like official development assistance, international trade and access to Internet do not; an indication that globalization still has much to do in improving the well-being of the people in the sub-region. For globalization to successfully improve the well-being of the people in the sub-region, measures such as the improvement in the nations' domestic economic and social policies, formation of partnerships with advanced countries and an improvement in the existing regional integration and economic co-operation are suggested.

KEYWORDS: Sub-saharan Africa, Globalization, Well-being

INTRODUCTION

The introduction of structural adjustment programme in the mid 1980s can be said to be the beginning of the new global trend in the total liberalization of the world economy which today have been brand named the new globalization. This new globalization has come with its natural openness in

trade, information technology, capital flows (direct foreign investment, portfolio investment and short term funds), labour mobility, good governance and democracy include among others: expansion in world trade, increase in the flow of information and the use of webs, the diffusion of technology and cross fertilization of diverse cultures among others (Aninat 2002; Nsouli and Le Gall 2001; Ajayi 2001; Gondwe 2001).

Drawing from the period structural adjustment programme was introduced in Sub-Saharan African countries, and given that this is the period when the impact of global reforms in trade, labour, capital movement, information technology, etc, were beginning to be felt, this paper therefore examines the impact of globalization on well-being in Sub-Saharan Africa using a cross country data and multivariate regression analysis.

Clarifying the Issues: Well-being and Globalization

Well-being: Definition and Determinants

a. Definition

According to Narayan, et.al (2000a, 2000b), well-being is synonymous with good quality of life which include material well-being often expressed as having enough; bodily well-being which include being strong, being in the right frame of mind and looking good; social well-being which include caring for and settling children; having self-respect, peace, and good relations in the family and the community; having security, including civil peace, a safe and secure environment, personal and physical security, and confidence in the future; and having freedom of choice and action, including being able to help other people in the community.

b. Determinants of Well-being

According to the World Bank (1991), one of the key determinants of well-being in a given country is the presence of stable macroeconomic policies and economic growth. For instance, when there exist sound fiscal and monetary policies in a country this will create a hospitable climate for public and private investment in both socio-economic activities which in turn promote productivity, increases income and the purchasing power of the people and their consumption-expenditure from which the nation's well-being improves.

The ability of individuals to have access to the basic needs of life e.g. food, assets, land, work, health, education, water and shelter is another determinant of well-being. As stated by Narayan, et.al (2000a) adequate food is a universal need for improved well-being. Access to adequate resources, especially land is another universal criterion of well-being. Ability

to find a paid work to obtain money to buy clothes and to pay for health treatment and school expenses is another important determinant of well-being.

Closely related to the above is Sen's capabilities and entitlements doctrine. According to Sen (1985) people's capabilities, which refer to what people do and can do in their lives, are also a determinant of well-being. It also include things that can lead to a long and healthy life; to be knowledgeable; and having access to the resources needed for a decent standard of living, while entitlements tend to draw the attention of the people away from the mere possession of certain goods toward human rights and the command over the use of goods and services and the use of various economic, political and social opportunities within the legal system.

Having access to state-provided infrastructural facilities is an essential criterion for well-being. As observed by Ward (1999), infrastructural services e.g. roads, water and electricity are significant because economic and social infrastructure are essential overhead capital—key elements in national wealth. For instance, private firms will not get established, nor function effectively and efficiently where the infrastructure which provides the basic mechanism remains dysfunctional, disconnected, run down and inadequate. In the same view, public assets that directly generate real consumption service flows that benefit the people will be insignificant to the overall quality of life of the people, especially women (see also Lanjouw 1995)

The existence of good governance in any society is also a pre-condition for improved well-being. As observed by Sandstorm (1994), good governance is reflected in the responsibility of the government in involving its citizens in the development decision that affect their lives and the government's responsibility to ensure accountability, openness and transparency for their actions so that resources can have maximum impact in terms of benefiting the people.

Globalization: Definition and Impact

a. Definition

According to Daouas (2001) globalization is multidimensional in nature, which touches on all aspects of life from economic, cultural, environment, social, as well as, relationships between governments and nations on the five continents of the world. Globalization thus is characterized in particular, by an intensification of cross border trade and mobilization of individuals and increased financial and foreign investment flows, promoted by rapid liberalization and advances in information technologies (see also Ajayi 2001; Cohen 2002; Masson 2001; O' Rourke 2002).

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Aninat (2002) referred to it as a process through which an increasingly free flow of ideas, people, goods, services and capital leads to the integration of economies and societies has brought rising prosperity to the countries that have participated in it (see also Diaz-Boanilla and Robbison 2001).

b. Impact of Globalization

Drawing from Heckscher–Ohlin–Samuelson's model of trade which suggest that a fully integrated world economy provides the greatest scope for maximizing human welfare [a proposition based on the assumptions about the free international movement of goods and factors of production (capital and labour), the availability of information and a large degree of competition], Aninat (2002) posits the impact of globalization to include: (i) the increase in income and a rise in the standard of living in many part of the world, partly by making sophisticated technologies available to less advanced countries; (ii) increase easy access to information through the use of computer and telecommunications. A technological progress that has steadily expanded the range and quality of services that are traded for, including those that support trade in goods and the movement of nations towards a globally integrated economy; and increase in capital flows which has contributed to economic growth by stimulating investment and technical progress and promote efficient financial development, increase the flow of capital and migration of people. (see also Hausler 2002 and O'Rourke 2002).

As observed by Yusuf (2001) globalization has helped increase the growth of trade in the countries that participate in it. With expansion in trade, the markets for domestic producers have enlarged thus allowing them to reap scale economies, forcing them to be competitive and thus offering them incentives and opportunities to assimilate, as well as, develop new technologies. Though trade expansions and export earnings have also loosened foreign exchange constraints on the economy, thereby facilitating the expansion of other sectors. With respect to capital flows and their diverse compositions (foreign direct investment, portfolio flows and short term capital), these flows have become a major source of investment, a conduit for technology transfer and a spur to financial deepening. Take for instance direct foreign investment, whether in manufacturing, services or resources extraction, it generally produces positive outcomes for the country even when spillovers are modest through competition and linkage effects. On balance, it generates more productive and better-paid employment and is environmentally friendlier than similar investment by indigenous producers. Second, it can augment the stock of skills, raise the level of technology, improve access to international markets and integrate countries into

international production networks which are increasingly the locus of trade flows. Third, the salience capital movements and their current fairly narrow ambit have drawn attention to the role of financial development. Globalization has stimulated financial deepening, created and strengthened institutions and builds a viable regulatory infrastructure. With respect to migration, globalization has allowed the movement of people (most especially skill workers) from less developed countries to developed ones. The benefit here is when migrants remit part of their income home. Income that in the long run eases foreign exchange constraints and when a sizeable part of the flow goes to the poorer families, it helps reduce the skewness in household consumption. Other advantages are the opportunity to work in the industrialized countries and the valuable skills and experience that comes with it and the international connection and networks that are key to industrialization and commercial success in less developed countries (see also Clarke 2001; Milanovic 2002; Yusuf and Wu 2001; Brahmabhatt, et. al 1996; Boughton 2002; Solimano 1999).

At the level of good governance and democracy, globalization has induced greater openness, and has helped to enhance greater competition as well as reduce corruption. As observed by Wei (2000) a country that is naturally open will have the incentives in investing in corruption-fighting, public governance infrastructure and would find it optimal to devote more resources to building good institutions. In equilibrium, such economies may display less corruption and higher quality of government than naturally less open economies.

With respect to democracy, globalization has also enhanced the spread of democratic principles word-wide which in turn has helped reduce inequalities in the distribution of political power and status. According to Gradstein and Milanovic (2002), Gradstein, et. al (2001), Milanovic (2002), and Dethier, et. al (1999) the redistribution of political power and status brought about by globalization are determined by the degree of national electoral participation i.e. the percentage or number of adult population who voted during an election, the extent to which the political-power of the elite is minimized and that of the non-elite is maximized; suggesting two components of democracy popular sovereignty and political liberties. The former is concerned with the extent to which the elite of a country is accountable to the non-elite, while the latter is concerned with institutions through which the non-elite can influence the decisions of the elite, including free speech, a free press and the freedom of opposition. When put together they reflect civil liberties and political rights.

Stressing the importance of information and communication technologies (ICTs), Mohan (2001) said that without doubt the Internet and other information and communication technologies (ICTs), such as faxes, video, digital radio, mobile phones, and satellite technologies, have helped people gain access to, process, respond to, and distribute information in a faster and more far reaching way than ever before. He further reiterate that, ICTs at a minimum can enhance the livelihoods of the poor and improve market efficiency, and as development tools, they can help lead to higher literacy rates through distance learning; gender equality through the empowerment of women who gain greater access to economic opportunities and civil society; sustainable development through easier dissemination of appropriate information, more balance social relations through the greater accountability imposed on the powerful by the marginalized; and other global goods (see also Clarke 2001).

Linking ICTs to agriculture, Babinard and Pinstup-Andersen (2001) opine that improved access to information and data via the Internet can allow researchers and policy makers to learn about new nutrition initiatives, share information, obtain best practices and map food production and under-nutrition by country and by regions within countries. Information network can provide a forum for debate in nutrition-related issues and increase global awareness.

Evidence from a number of countries have shown that globalization through trade has translated into faster economic growth and higher standards of living as most clearly seen in East Asia where real incomes in South Korea have doubled every 12 years since 1960. In Spanish-speaking countries such as Spain, Mexico, and Chile their shares of world trade and per capita income have been sharply boosted since 1980 by embracing globalization. The growth in some of the nations' per capita also goes hand in hand with significant declines in poverty and larger increases in life expectancy. For instance, since 1960 life expectancy in India has risen by more than 20 years, and illiteracy level of South Korea has gone from nearly 30% to almost zero (Aninat 2002).

On the contrary is the growing concern about the negative aspects of globalization and especially whether the world's poorest will share from its benefits. According to Aninat (2002), there is the belief that free trade through globalization will favour only rich countries and that volatile capital markets will hurt developing countries the most. There is also the concern of less developed countries losing local control over economic policies and developments, the disappearance of old industries and the erosion of local communities.

Another growing concern of the effect of globalization is with respect to the underdevelopment of capital markets, high risk premiums, inappropriate domestic policies and damaging episodes of macroeconomic instability in less developed countries (Diaz-Benilla and Robinson 2001). Solimano (1999) also gave the social consequences of globalization as including increased instability in output and employment when output produced by a nation and its labour force find it difficult to compete with other countries because it is unskilled and uneducated; and when it transmit the cultural patterns of large countries to the rest of the world through imitation of consumption pattern, global mass media and other means of influence, thus leading to homogenization of values, thereby reducing cultural diversity and national identities.

Data Source and Methodology

Data Source

Cross country data for the year 2000 on well-being, proxied by life expectancy at birth and the components of globalization e.g. migration, official development assistance, foreign direct investment, foreign debt servicing, international trade, openness in democracy and access to internet in Sub-Saharan Africa were used. The data were obtained from some document of the African Development Bank such as Selected Statistics on African Countries (2002) and Africa Development Bank Gender, Poverty and Environmental Indicators for African Countries (2003).

The Model

In specifying the model, emphasis is placed on whether globalization has any significant impact on the well-being of the people of Sub-Saharan Africa.

Having established this link, the model is therefore formulated as:

$$WB = f(GLOB) \dots\dots\dots (1)$$

$$\text{With } GLOB = f(\text{Mig, ODA, DFI, EDS, InTrd, ODem, AIntnet}) \dots\dots (2)$$

When equation (2) is substituted into equation (1) the equation thus gives a multivariate relationship.

$$WB = f(\text{Mig, ODA, DFI, EDS, InTrd, ODem, AIntnet}) \dots\dots\dots (3)$$

With a multiple linear relationship as:

$$WB = \alpha_0 + \alpha_1 \text{ Mig} + \alpha_2 \text{ ODA} + \alpha_3 \text{ DFI} + \alpha_4 \text{ EDS} + \alpha_5 \text{ InTrd} + \alpha_6 \text{ ODem} + \alpha_7 \text{ AIntnet} + U \dots\dots\dots (4)$$

Where:

WB = Well-being proxied by life expectancy at birth (years)

Mig = Migration proxied by net migration per 1000 of people

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ODA	=	Official Development Assistance in \$US
DFI	=	Direct Foreign Investment in \$US
EDS	=	External Debt Services as a percentage of Gross Domestic Product
InTrd	=	International Trade proxied by net export as a percentage of Gross Domestic Product
ODem	=	Openness in democracy proxied by the number of women in parliament.
Alntnet	=	Access to Internet proxied by the number of public local dial-up Internet facilities in each country.
a_0	=	the intercept
a_1, \dots, a_7	=	parameter estimates associated with the influence of the components of globalization on well-being in Sub-Saharan Africa.
U	=	error term.

To estimate the model, a multiple linear regression analysis is used in order to reflect the explanatory nature of the variables. To verify the validity of the model, two major evaluation criteria are used: (i) the a-priori expectation criteria which is based on the signs and magnitude of the co-efficients of the variable under investigation; and (ii) statistical criteria based on statistical theory which in other words is referred to as the First Order Least Square Test, consisting of R-square (R^2), F- statistic and t- test. The R-square (R^2) is concerned with the overall explanatory power of the regression analysis, the F- statistic is used to test the overall significance of the regression analysis and the t- test is used to test the significant contribution of the independent variables (Oyeniyi 1997).

Drawn from the model, our a-priori expectation or expected behaviour of the independent variables (Mig, ODA, DFI, EDS, InTrd, ODem, Alntnet) on the dependent variable (WB) in the model are:

$Mig > 0$; $ODA > 0$; $DFI > 0$; $EDS < 0$; $InTrd > 0$; $ODem > 0$; $Alntnet > 0$, thus indicating that an increase in all the components of globalization expect external debt servicing would increase the well-being of the people in the countries of Sub-Saharan Africa.

Results

Presentation, Interpretation and Discussion

The results of the multiple regression analysis conducted at 5% level of significance are presented in Table 1.

Table 1: Regression Results of Globalization and Well-being in Sub-Saharan African Countries.

Explanatory variables	Co-efficient or parameter estimates and t-values
Intercept	54.7
(t)	(18.9)
Mig	-8.79
(t)	(-0.41)
ODA	-3.33
(t)	(-1.09)
DFI	3.10
(t)	(0.22)
EDS	-0.10
(t)	(-1.06)
InTrd	-6.92
(t)	(-0.17)
Odem	0.20
(t)	(0.36)
Aintenet	-0.27
(t)	(-0.32)
R ²	0.79
F	7.11

The t- value are in parentheses

A look at the model shows that it is of good fit since it has an R-square of 0.79, which in other words mean, that 79 percent variations in the dependent variable is explained by the explanatory variables, the error term takes care of the remaining 21 percent which are variables in the study that can not be included in the model because of certain qualitative features.

At 5 percent level of significance the F-statistic shows that the model is useful in determining if the independent variables have any significant influence on the dependent variable, as the computed F-statistic which is 7.11 is greater than the tabulated F-statistic (8, 46 degree of freedom) valued at 2.18.

In terms of the individual independent variables, the coefficients and the associate t-values shows that at 5 percent level of significance only direct foreign investment, democratic practice and external debt servicing fulfilled our a-priori expectations with direct foreign investment and democratic practice having direct relationship with well-being, an indication that as direct foreign investment and democratic practice increases, the well-being of the people in the sub-region also increases. This situation can be linked to the increase in investment in the oil and telecommunication sectors, development and improvement in the performance of the capital market prompted by the

drive to privatized most government enterprises in the sub-region; and the decline in military rule and the call for democratic principles and increase participation in politics by the people most of them women. For instance, the benefit derived from direct foreign investment through globalization as provided, conformed with the views of Bergsman and Shen (1995), Djankor and Hoekman (2000) Cockcroft and Riddell (1991) and Mallampally and Sauvant (1999), that direct foreign investment has made positive contribution to the host countries' economy through the supply of capital, technology and management. Multinational corporations are good examples of direct foreign investment, and by virtue of their large sizes and other characteristics have access to enormous financial resources for investment. With these funds they have made contributions to filling the resource gap in the host countries between desired investment and domestic savings. The consequence of it being an increase in productivity and per-capita income of the host countries and poverty reduction.

That the sign of external debt servicing is negative as expected, is an indication that external debt servicing (which is a component of globalization) has a negative influence on well-being, a situation that also corroborates with the views of Ayagi 1991; Pattitto, et al 2002 and Watkins 1997, that in most poorest countries debt and debt servicing has remained a serious problem, diverting resources needed for investment in social and economic recovery, undermining investment and contributing to financial instability. Each of the consequences has had damaging implications for trade development and poverty alleviation prospects. Debt repayments constitute a considerable burden on the limited foreign exchange resources of the poorest countries typically absorbing around one-fifth of export earnings. These repayments seriously undermine the capacity of originally indebted countries to engage in international trade on reasonable terms. Thus the import volumes of the severely-indebted low-income countries are still around the levels of the 1980s, reflecting acute foreign exchange shortages. What this means is that import compression is depriving local manufacturing and agriculture to access to imports that could increase productivity and generate employment. By undermining the capacity of governments to develop infrastructure, debt also acts as a deterrent to foreign investment and wider export competitiveness. Debt servicing has also contributed to a fiscal crisis in many countries absorbing huge amounts of domestic revenue and eroding the capacity of government to provide and maintain basic social and economic infrastructure that would help reduce poverty.

The other components of globalization (migration, official development assistance, international trade, and access to internet) that were

expected to have positive impact on well-being in the sub-region provided contrary results, thus indicating that the variables as a result of globalization have not improved the well-beings of the people in the sub-region, a situation that can be linked to various factors. For instance, the impact of migration as a result of globalization has been severe due to the lost in manpower experienced, when some of the best brains have to leave the sub-region for greener pasture overseas.

With respect to official development assistance, its negative impact on well-being can be linked to the high level of corruption, the huge interest rate attached to some of the assistance given and the continuous dependence of the recipient countries on the donor countries thus conforming views of Heller and Gupta (2002), Adam and O'Connell (1998), and Gunning (2001) that observed a number of problems that may occur in a country if a substantial increase in foreign aid flows is allowed. First, it is shown that large inflows of foreign aid can overwhelm the administrative capacity of governments thus leading to waste and inefficient and ineffective projects and programmes implementation. Second, it is critical to ensure that an increase in aid does not reduce a country's incentives to adopt good policies and reform inefficient institutions. Third, experience indicates that dependence on aid may weaken accountability, encourage rent seeking and corruption, and impede the development of healthy civil society if a recipient government is more accountable to its donors than to its citizens.

That international trade (through globalization) has brought little benefit to the well-being of the people of the sub-region is not surprise given the non-competitive nature of most agricultural products produced by the people and the continuous reliance on imported goods from developed countries. This situation is further elaborated by Manuel (2003), who observed that a large problem of African economies is that their growth potentials are affected by their ability to export and use export revenue to diversify production. Their ability to do so is constrained by a global trade regime inimical to the full development of Africa countries comparative advantage. Limited market accesses for low-cost textiles, cotton and agricultural products and competition from heavily subsidized industrial economy exports effectively prevent growth.

For Internet facilities, that the result obtained is contrary to our a-priori expectation can be linked to the countries state of economy, education, technological development and telecommunication infrastructure that are underdeveloped. This situation is attested to by Mohan (2001), that drew from NUA Internet surveys that estimated that of the 333 million people that have access to the Internet worldwide in 2001, Africa claimed only 2.8 million subscribers.

Conclusion and Recommendations

This paper has provided an empirical analysis of the relationship between globalization and well-being in Sub-Saharan Africa, using a cross-country data and a multiple linear regression analysis.

To capture these relationship, variables like direct foreign investment, democratic practices, external debt servicing, international trade, official development assistance, migration, and access to the Internet were used as proxies to globalization, while life expectancy at birth (years) was used as a measure of well-being in the sub-region.

The findings show that variables like foreign direct investment, democratic practices and external debt servicing were very influential in determining the level of well-being in the sub-region, having fulfilled our-a-priori expectations, while variables like international trade, official development assistance, migration and access to the Internet have little or no influence in determining the well-being of the people; an indication that globalization still have much to do in improving the well-being of the people.

For globalization to be successful in improving the well-being of the people in the sub-region, certain policy measures need to be taken into consideration. The first measure should be an improvement in the domestic policies of the countries in the sub-region. An improvement in these policies should include among others, a review of the existing role of the state from its direct control over the production and distribution of many goods and services or from the ownership of enterprises and businesses to the provider of social amenities (like education, water, health care services and sanitation facilities) that are essential for the improvement of the well-being of the people in the sub-region. Another is the introduction of good governance with emphasis on accountability, transparency, the rule of law, civil and economic liberties and the fight against corruption; the review of all institutional (civil service), legal and regulatory frameworks that could allow for effective domestic and foreign private investment in the sub-region. Others include the sustenance of the existing democratic values in the countries that have democratized; resolution and management of conflicts in the countries where they still exist; combating the HIV/AIDS pandemic; and ensuring that the nations' macro-economic policies are stable and divulge of the volatility of macro-economic variables like the deterioration in the nations' terms of trade, increase in inflation and instability in real exchange rate.

At the international level, the success of globalization in the sub-region also depends on the relief the nations are able to get from the burdens of external debt through cancellation that they may have enough resources

for productive investment which would generate growth and improve the well-being of their people.

Essentially too, is the formation of partnership between the countries in the sub-region with the advanced countries. The partnership could be in the form of promoting the flow of private capital (foreign direct investment and portfolio Investment) to the sub-region, abolition of trade barriers that would allow for the free flow of the countries exports to their markets, provisions of foreign aid that would be used in the provision of infrastructural facilities and the development of agriculture and solid minerals. The long run effects of all these are new jobs, new technologies and the increase in income and reduction in poverty that the people would experience in these countries.

At the level of the sub-region itself, is the intensification of efforts in strengthening the existing regional integration and economic cooperation among the countries. This is important from the point that it will stand as an effective means of integrating the sub-region into the world economy and also foster mutual support among member countries in their reform efforts towards globalization and achieving well-being for their people.

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