AFRICA UNCHAINED
Chapter 6

First Generation Problems

Three decades after independence, uncertainty and fear still rule the African continent. The freedom and justice that many people sacrificed their lives for have been replaced by tyranny and oppression. And the promise of a decent living has been betrayed by misgovernance and corruption.

Most Africans fought so hard to liberate themselves from colonial rule only to be used and abused and their nations ruined by their own leaders. Today Africa has very little to show for its independence because of inhumane and incompetent leadership

— Steve Mallory, publisher *The African Observer*, May 2—15, 1995; p.3.

>I heard we have a new government. It makes no difference to me. Here we have no light (electricity), we have no water. There is no road. We have no school. The government does nothing for us'.

— Simon Agbo, a farmer in Ogbadibo, south of Makurdi, Benue state capital in Nigeria, in Washington *Times* Oct 21, 1999; p.A19.

Thousands of Angolans are dying of hunger because the country is mismanaged and the holders of power have turned into a band of thugs who pretend to be managing a bank. Our bank. Our petrol. Our diamonds. Our riches. But above all, our children, parents, brothers and cousins, who they use as fodder for their diabolical cannons.

— From a pamphlet of *Parti d'appui démocratique et du progrès d'Angola* (PADPA) circulated in Angola, *The Economist*, Feb 3, 2001; p.47.

The Predatory State

As discussed in chapter 3, most postcolonial African nationalist leaders and elites made some serious initial mistakes. They adopted the wrong ideology, socialism, which is alien to Africa, under which they spurned the private sector, or the market economy and placed primary reliance on the state to direct economic development (dirigisme or statism). Statism and socialism were bedfellows in many African countries. State participation in the economy was expanded to ensure "state ownership" of the economy under a regime of state controls on prices, interest rates, exchange rate, and rent. Even in the few countries, such as Ivory Coast, Kenya, and Nigeria, which did not opt for socialism, a large role was envisaged for the state in the economy. In the process, a state monster evolved that came to control almost every conceivable aspect of the economy. The all-powerful, omniscient, and omnipresent state held sway, knowing no bounds and holding no restraint against itself.

Africa was in a hurry to industrialize. The industrialization drive required the massive transfer of resources to the state. With its legislative powers, exercised by fiat, edicts, and diktats, the state extracted such resources from the peasantry, or the rural sector. Additional resources were secured by the state through foreign borrowing. When such foreign aid was not forthcoming, African governments simply printed money to finance their development programs.

In Africa's industrialization drive, state enterprises were acquired or built with breakneck speed. Factories and whole industries were acquired haphazardly—often more on considerations of prestige and emotionalism than economy or rationality. Africa had to "prove something" — that it too was Acapable". Factories were established with little planning or study. In many cases, pre-feasibility studies were seldom done. Inordinate political interference ensured that state enterprises became employment mills, providing "jobs for the boys" — loyal supporters of the ruling regime. Over staffing and swollen bureaucracy became the characteristic features of state enterprises in Africa. Packed with party hacks, they were handed over to cronies, whose management experience did not extend beyond bludgeoning opposition rivals and spitting venomous anti-colonialism verbiage. Managed by pot-bellied incompetents, chosen by their fealty to the head of state, Africa's state enterprises became towering edifices of inefficiency, waste, nepotism, venality, and graft.

Personal and political factors influenced much of Africa's infrastructural development. African heads of state are notorious for placing modern airports and multilane highways that lead nowhere in their home towns: The late president Mobutu Sese Seko of Zaire attempted to transform his hometown, Gbadolite, into the "Versailles of the jungle". Some African politicians, eager to "bring development" to their home towns, just placed factories in their districts. Three of Nigeria's oil refineries were placed in the north for no reason other than tribal politics, as the northern Hausa/Fulani ethnic group had dominated the string of military regimes that ruled Nigeria for much of the postcolonial period.

Africa's state-owned enterprises failed to deliver the goods—import substitutes, which were supposed to conserve foreign exchange. Even when delivered, the products were shoddy and of such poor quality that Africans preferred the imported variety. Nigeria's state-owned oil refineries could not produce refined fuel due to frequent equipment break down and lack of repairs. Inadequate refinery supplies, coupled with price controls, created acute fuel shortages in an oil-producing country! Only in Africa can such grotesque paradoxes occur. Eventually, refined petroleum products had to be imported anyway. This example is representative of many of Africa's state enterprises, which were to produce such items as cement, steel, shoes, rubber, and food items. Thus, in the case of Nigeria, the investment in oil refineries did not pay off. Then foreign exchange had to be expended to import refined fuel. Why not sell off the inefficient state oil refineries and cut losses then? Because that would be politically unacceptable. Thus, state employees are kept on the payroll when nothing is produced. Losses are covered by government subventions, draining budgets.

State Over-Reach

A sensible person recognizes his weaknesses, his strengths, and the limits of his capabilities. Similarly, a government must also recognize its own limitations and strengths and concentrate on those tasks it can do best. The government is best at providing what economists call public goods (defense, roads, bridges, parks, education, health care, law and order enforcement, etc.). The area where government is weakest is in production. Fishing, lumbering, agriculture, manufacturing, mining, and commercial banking often require making quick decisions—not the hallmark of government. By its very nature, the government is excruciatingly slow in making decisions and should not get itself involved in directly productive activities. Here the profit motive clashes with politics, and the result is inefficiency, losses, and wastes. This, however, does not mean the state or the government has no role whatsoever to play in the development process.

Government action can be helpful in two areas. The first is the "development environment" the government creates, and the second is the way in which the government manages or conducts its own affairs. A government can play a positive role in development by making it easier for people to be more productive; for example, by providing a reliable telecommunication system. The proper role of an African government is to encourage, facilitate and channel this creative human activity, not to suppress it, since innovation and creativity lie at the root of social progress. The government does not develop an economy; it is the people who do so. Therefore, it makes absolutely no economic sense for the government to seek to replace the activities of millions of people. If two heads are better than one, then certainly 14 million heads are better than the government's.

People are encouraged to be creative and productive through praise, reward or incentives. In the market place, incentives are provided by prices, which act as signals to both producers and consumers. A rise in the price of a commodity sends a signal to producers, to produce more of the affected commodity. The rise in price serves as an incentive for increased production. By the same token, the rise in price sends a signal to consumers to curtail consumption. But by fixing prices, interest rates, wages, foreign exchange, and rent, the government blocks this signaling process and effectively destroys the system of incentives. Because a price control prevents the price of an item from rising, producers are not given the incentive to make more available—nor are consumers given the incentive to reduce consumption.

State Ownership destroys incentives
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THE PERILS OF STATE OWNERSHIP

From the New York Times, Feb 11, 2007; p.A1 and 6.

In Niger's case, farmers began protecting trees just as rainfall levels began to rise again after the droughts in the 1970s and '80s.

Another change was the way trees were regarded by law. From colonial times, all trees in Niger had been regarded as the property of the state, which gave farmers little incentive to protect them. Trees were chopped for firewood or construction without regard to the environmental costs. Government foresters were supposed to make sure the trees were properly managed, but there were not enough of them to police a country nearly twice the size of Texas.

But over time, farmers began to regard the trees in their fields as their property, and in recent years the government has recognized the benefits of that outlook by allowing individuals to own trees. Farmers make money from the trees by selling branches, pods, fruit and bark. Because those sales are more lucrative over time than simply chopping down the tree for firewood, the farmers preserve them.

The greening began in the mid-1980s, Dr. Reij said, "and every time we went back to Niger, the scale increased."

"The density is so spectacular," he said.

Mahamane Larwanou, a forestry expert at the University of Niamey in Niger's capital, said the regrowth of trees had transformed rural life in Niger.

"The benefits are so many it is really astonishing," Dr. Larwanou said. "The farmers can sell the branches for money. They can feed the pods as fodder to their animals. They can sell or eat the leaves. They can sell and eat the fruits. Trees are so valuable to farmers, so they protect them."

A market in Droum is bountiful, thanks to increased crop yields, largely because newly planted trees have helped retain the soil and water.

A Green Revolution

They also have extraordinary ecological benefits. Their roots fix the soil in place, preventing it from being carried off with the fierce Sahelian winds and preserving arable land. The roots also help hold water in the ground, rather than letting it run off across rocky, barren fields into gullies where it floods villages and destroys crops.

One tree in particular, the Faidherbia albida, known locally as the gao tree, is particularly essential. It is a nitrogen-fixing tree, which helps fertilize the soil.

Its leaves fall off during the rainy season, which means it does not compete with crops for water, sun or nutrients during the growing period. The leaves themselves become organic fertilizer when they fall.

"This tree is perfectly adapted for farming in the Sahel," said Dr. Larwanou. "Yet it had all but disappeared from the region."

That is because for generations local farmers had simply cleared their fields of all vegetation, including trees, before sowing neat rows of sorghum, millet, peanuts and beans. When a field became less productive, the farmer would move on to another.

Wresting subsistence for 13 million people from Niger's fragile ecology is something akin to a puzzle. Less than 12 percent of its land can be cultivated, and much of that is densely populated. Yet 90 percent of Niger's people live off agriculture, cultivating a semiarid strip along the southern edge of the country.

Farmers here practice mostly rain-fed agriculture with few tools and no machinery, making survival precarious even in so-called normal times. But when the rains and harvest fall short, hunger returns with a particular vengeance, as it did in 2005 during the nation's worst food crisis in a generation.

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The second area where the government can play a useful role is by establishing an "enabling environment". The six requirements for such an environment are: security of persons and property, the rule of law, a system of incentives, a basic functioning infrastructure, some measure of freedom (intellectual, economic, and political) and stability (political, economic, and social). People must feel safe in order to go about their economic activities, and their property rights must be respected, too. Equally important is the state of the physical infrastructure: roads, bridges, telephones, ports, utilities, and educational facilities. Raw materials must be purchased for the production process, finished goods must be shipped to market. Reliable supplies of water and electricity, as well as a good network of roads and a stable communication system, are all vital for economic activity. But as we noted, postcolonial African governments did not establish an enabling environment for productive economic activity. Because they took on so many tasks, they performed none of them well. They had their fingers in every conceivable pot, as Africans would say. Obviously, it is far better for the government to take on few tasks and do them well rather than assume an enormous amount of tasks and do none well. What tasks can the government efficiently handle?

According to the World Bank (1989):

> The state has an indispensable role in creating a favorable economic environment. This should, in fact, be its primary concern. It is of utmost importance for the state to establish a predictable and honest administration of the regulatory framework, to assure law and order, and to foster a stable, objective, and transparent judicial system. In addition, it should provide reliable and efficient infrastructure and social and information services—all preconditions for the efficiency of productive enterprises, whether private or state-owned. (p.55)

Providing an enabling environment alone is not enough. The second aspect of the role of government in development concerns how the government conducts its own affairs. As the World Bank (1989) put it:

> Africa needs not just less government but better—government that concentrates its efforts less on direct interventions and more on enabling others to be productive. Every level of government should take measures to improve the performance of public administrations and parastatal enterprises. Institution-building is a long-term endeavor that requires a clear vision and a specific agenda. Special attention needs to be given to strengthening the policy analysis and economic management capabilities of governments.
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> Ultimately, better governance requires political renewal. This means a concerted attack on

corruption from the highest to the lowest levels. This can be done by setting a good example, by strengthening accountability, by encouraging public debate, and by nurturing a free press. It also means empowering women and the poor by fostering grassroots and non-governmental organizations (NGOs), such as farmers' associations, cooperatives, and women's groups. (p.6)

Radical Africanists, who object to these suggestions as Astrictures from an imperialist institution" (the World Bank), should look at the role of the government in their own indigenous economy. The main functions of traditional African governments were:

1. Defense against external aggression,
2. Maintenance of law and order,
3. The promotion of justice and social harmony within the kingdom, and
4. The promotion of trade and commerce.[1]

The role of the indigenous government in the economy was very limited for pragmatic, not ideological, reasons. In fact, "The chief function of the Ashanti administration was to ensure harmony in the society rather than to provide services requiring expenditure" (Busia, 1967; p.78). Within the context of these objectives, trade assumed primacy in peacetime.

One of the traditional roles of the African chief was to create a peaceful atmosphere for his people to engage in trade—the creation of an enabling environment. Even in agriculture, it was not the role of the indigenous government to interfere or dictate what crops the peasants should raise. What a peasant farmer cultivated was his own individual decision to make. The role of the chief in agriculture was to ensure that access to land was not denied to anybody, even strangers. Supervision or regulation of access did not constitute control over production.

In most cases across Africa, "there was no direct interference with production" (Wickins 1981; p.230). Such an interference would have been in direct and obvious antipathy to African philosophy. This philosophy held that the individual was part of a community whose interests were antecedent. Within the community, the individual was completely free to pursue any vocation he so wished. The tenet of African law which maintained that any harmful action against another individual was a threat to the whole society was applicable to the realm of economics. A restriction on the economic activity of an individual could place severe restraints on the economic welfare of the whole village or community. If the individual prospered, so too did his extended family and the community. The individual could prosper so long as his prosperity did not conflict with or harm the interests of the community. In such a clash, the community's interests were paramount. To the extent that such conflicts did not arise, the chief had no traditional authority or business interfering with an individual's pursuit of prosperity. Ultimately, the individual was answerable to his family and ancestors, not the chief, who merely acted as the intermediary between the living and the departed. The individual cannot blame the chief for his poverty or misery. This was a well-nigh universal African belief.

With trade, the historical evidence does not suggest obtrusive government interference, either. It hardly made sense for the chiefs to prevent their own subjects from engaging in trade. Traders were free enterprisers, taking the risks themselves. In fact, chiefs encouraged their people to engage in trade. Tribal government enterprises, the equivalent of state-owned enterprises, were not common in indigenous Africa.

Rather than act as the initiator or entrepreneur, the state should be a facilitator and *empower others* to initiate development. It is difficult to prescribe how much economic and political power the state should have, since there is no one single political cum economic system that assures stability, freedom, and security. The fact that the American system works well for Americans does not mean every African country must copy it. In every constitution, there is a cultural imprint and historical experience. The American democratic system has evolved through the centuries and reflects American cultural attributes and idiosyncrasies. But democracy, as an institution, can take different forms: American-style (or representative) democracy, European-style (parliamentary) democracy, and African-style (participatory or consensual) democracy. Similarly, capitalism, as an economic institution, can take different forms. As such, Africa must evolve or devise its own constitution and system, based upon its cultural heritage, experience, and aspirations. What this system should ultimately be is for the African people themselves to determine; it is not for this author or any African head of state to impose upon them.

The Regime of State Controls

As noted earlier, African governments took on more than they could chew. Statism or state intervention in the economy was pursued with a whole battery of controls on prices, exchange rates, interest rates, and other economic variables. These controls, together with other edicts and legislation, were intended to transfer huge resources to the state, which would, in theory, allocate them for development to benefit the whole country. By the early 1970s, practically much of Africa was under rigid state controls. Unfortunately, they had serious unintended but predictable consequences.

Officially, price controls were supposed to make commodities affordable to the masses. The immediate effect of the imposition of a price control is the creation of a shortage. If the government fixes the price of a commodity, say bread, at $1, a loaf below its prevailing market price of say, $3, the commodity is rendered artificially cheaper, increasing the demand. But producers (bakers), forced to accept a lower price, would reduce the supply because the government-dictated price is insufficient to cover their costs. The result is a shortage—a first-generation problem. The shortage, in turn, may create a black market (a second-generation problem, a secondary unintended consequence) where hoarding, bribery, profiteering, and shady deals may flourish as the commodity is illegally traded above the official price. Measures designed to curb profiteering or hoarding attack the *second-generation problems*. In other words, such measures attack the symptoms, rather than the root cause of the disease — the price control itself. It is important to remember that the first, second, and even third generation problems can be found in other government measures.

If the official price (price control) of bread is $1, but the cost is three times as much ($3) on the black market, this creates an incentive for anyone to seek to buy bread at the official price and resell on the black market to reap a huge profit—a practice that was known in Ghana as *kalabule*. As such, everyone would want to seek access to or acquire bread at the official price. Political connections or knowing somebody in the government can be an asset. Where such connections do not exist, every effort will be expended to establish one since connections can be profitable. From society's point of view, the distortionary effects of price controls wreak enormous economic damage. To illustrate this, imagine the price control was absent and the price of bread is the free market price of $3. In this case, if people found the price too expensive, they would either refuse to buy the commodity, buy a substitute, or produce it themselves. However, in creating shortages and allowing the commodity to be obtained cheaply from government sources, price controls induce people to "chase the commodity" or invest a substantial amount of effort and time in establishing the political connections needed to obtain the commodity at government-subsidized prices. Such efforts, which could better be spent elsewhere, are a waste of time from society's standpoint.

Contrary to popular misconception, price controls do not make commodities Aaffordable.@ Rather, they make them more expensive because of the hidden costs involved in searching for the scarce goods (Asearch costs@) and the time wasted in standing in line. It is these hidden opportunity costs that render the commodity much more expensive. The hidden costs can be eliminated by simply removing the price controls. But most postcolonial African countries followed in almost lockstep fashion the rigid price-control script.

In Nigeria, price control—fixing the price of petrol (gasoline) at 26 *naira,* per liter, ($0.18 cents per liter or 0.83 cents per gallon)—caused enormous shortages in tandem with inadequate supplies. Nigerians believe that, since their country is an oil-producing country, they are entitled to cheap gasoline prices. But its state-owned fuel-refining firm, NNPC, cannot produce enough gasoline to meet demand because most of its state refineries are out of commission. Funds allocated for repairs during the Abacha era were embezzled. ASo it imports petrol (gasoline) at market rates, which it is then obliged to sell at a loss@ (*The Economist,* April 26, 2003; p.42). To maintain that price control, Nigeria's governments spend about $2 billion a year subsidizing fuel. Since coming to office in 1999, President Olusegun Obasanjo tried on two occasions to remove subsidies on petroleum products. The economic reasons were cogent. First, cheap petrol encouraged waste of a declining asset. Second, the subsidies were costing the government money that could more usefully be spent on education, health care, or telecommunications. Third, since subsidized petrol cost only a third of the price of neighboring countries, much Nigerian petrol is smuggled across the border, leading to chronic fuel shortages in many parts of Nigeria. The entire situation is one of economic insanity: The government imports gasoline at market rates to sell at subsidized prices in Nigeria, but because prices are higher in neighboring countries, the same fuel is smuggled out, forcing the government to re-purchase and re-import presumably the same fuel into Nigeria, which will be smuggled out again in a never—ending cycle:

> **"In Nigeria, where corruption and misrule have squandered, by some estimates, as much as $400 billion in oil profits over the past 40 years, cheap gas is nothing less than a birthright. But Nigeria's dilapidated refineries cannot produce enough gasoline to supply the country. The government imports about $4 billion a year of petroleum products. Government subsidies have kept regular gasoline selling for about $2 a gallon, but the price of diesel, crucial for businesses and heavy transport, has rapidly risen" (*The New York Times*, July 12, 2008; p.A5).**

Each time the government attempted to raise the price of gasoline, deadly and violent strikes and protests ensue. In June 2000, President Obasanjo tried to raise fuel prices by 50 percent. That move led to a general strike, organized by the Nigerian Labor Congress (NLC) and riots that left dozens of people dead. President Obasanjo was forced to rescind the price hike. He tried again in January 2002, but this time went for only an 18 percent increase. The NLC promptly called for a general strike and the country ground to a halt. Shops and banks were closed. However, President Obasanjo fought back, declared the strike illegal, and arrested NLC leaders. Two days later, the strikers returned to work.

On June 20, 2003, Obasanjo's government tried again, announcing a 54 percent increase in the price of fuel. Nigeria's trade unions embarked on an eight-day general strike to protest the fuel price. "Labor leaders argue the steep price increases for petrol, diesel and kerosene would only aggravate poverty among Nigeria's 120 million people, 70 percent of whom live on less than one dollar a day" (*Allafrica.com,* July 7 2003, web posted). At least 14 people were killed in violence during the eight days of the strike. According to union leaders, 10 were shot dead by the police in Lagos during riots on the last day of the strike. Eventually, a compromise was reached between the NLC and the government on the price of 34 naira a liter ($0.24 a liter or $1.09 a gallon), which, by international standards, was very cheap. Of course, this would not solve the problem of gasoline/petrol shortages.

When US President George W. Bush visited Nigeria on July 12, 2003, Franklin Okoye, a civil servant, pointed out that President Bush never saw real Nigeria. If Okoye were chaperoning Bush around Nigeria, he would have canceled all talks with Nigeria's politicians and scrapped the ceremonial functions as well. Instead, he would have fed President Bush a bowl full of *isi ewu*, a peppery Nigerian delicacy made of goat head that would have left Bush's taste buds numb. Then he would have taken President Bush to a gas station, where he would have spent all day sitting in his limousine, inching ever so slowly toward the pump, now and then sticking his head out into the choking smog to swear at line jumpers and curse the fact that an oil-rich country such as Nigeria does not have enough gasoline to go around.

"This is the real Nigeria", fumed Okoye during President Bush's visit; Okoye had to spend six frustrating hours baking in his Honda Prelude in order to fill his tank after the stations opened after an eight-day strike (*The New York Times,* July 13, 2003 p.A3). There was pandemonium as drivers tried to force their way, or buy their way, into the front of the unruly queue. Frustrated by the slow pace of things, a driver called Dele Areached into his wallet and pulled out a 200 naira bill—the equivalent of about $1.50 and a day's wage for many Nigerians—and handed it to a man with a handful of bills who then allowed Dele into a faster-moving gas line@ (*The New York Time,* July 13, 2003; p.A3).

It is important to analyze the cases of Okoye and Dele because they illustrate an important concept economists call Aopportunity cost.@ The six frustrating hours Okoye spent in the gas line could have been spent more productively elsewhere. Because he was a civil servant he did not bear this Aopportunity cost@— he was absent from his job for six hours and did not lose any pay. Tax-payers or the government bore the cost of paying him for no work done. If he endures this ordeal twice a month, it would translate into 12 hours a month (or 144 hours a year) of lost productivity. Obviously, Okoye is not the only civil servant who wastes six hours in a gas line. If a million other civil servants do, the cost to the Nigerian government would be enormous, running in the billions of *naira*.

There is an additional cost as well. When civil servants spend part of their time chasing scarce commodities and gasoline, the rate of absenteeism skyrockets. This, in turn, means that, getting normal government functions—such as obtaining a passport B take much longer. And to speed up that process, bribes may have to be offered there too!

Suppose, however, that Okoye was a taxi driver, earning 400 *naira* an hour. Assume that his Honda Prelude takes 10 gallons to fill the tank and one gallon is equivalent to 4.546 liters. At 34 *naira* per liter, it would cost him 1,545.64 *naira* to fill his tank, which, at the exchange rate of $1 ' 144 *naira*, would amount to $10.73. But he wasted six hours in queue, costing 2,400 *naira* or $16.67. Therefore, the total cost of waiting for six hours to fill his 10-gallon tank was $27.40, which translates to $2.74 a gallon, which is even more expensive than in California! Of course, this analysis assumed that he was able to purchase gasoline after the six-hour wait—the length of wait assures no guarantees—and further that the taxi driver did not have to bribe to jump the line. If any of these cases apply, then the taxi driver would have paid more than $2.74 per gallon, which puts the price per gallon among the highest in the world.

The point of this discussion is to drive home the fact that price controls do not make commodities affordable. Okoye would be far better off if there were no price controls on gasoline and the price in Nigeria was the same as in Benin. If the price were $2.00 a gallon or 63 *naira* per liter, Okoye would have all the gasoline that he wanted and would not have to waste precious time waiting in a smog-choked queue.

Unfortunately, initial mistakes made were compounded, creating a crisis situation, which spawned second and third-generation problems—bribery to jump gas lines, the smuggling of cheap Nigerian gasoline to neighboring countries, absenteeism in the civil service, and hoarding of gasoline, among others. For decades, the energies of African governments were absorbed in managing crises and their attendant problems. Rather benightedly, many of these governments believed that more of the same bad medicine would cure the patient. Accordingly, more stringent government control measures were taken, which naturally aggravated the crises. Then the authorities called for more powers and yet more severe measures to deal with the new crises—gasoline shortages, hoarding and smuggling, for example. In 1982, Ghana closed its borders to prevent the smuggling of cocoa to neighboring countries, where it fetched a higher price. In the late 1980s, Zambia also closed it borders to stanch the smuggling of cheap consumer goods to Tanzania and Zaire. Then, on August 9, 2003, Nigeria closed its border with Benin Aover concerns about increased cross-border crime such as smuggling and people trafficking@ *(The The Washington Times* Aug 10, 2003; p.A11). Did Nigerian government officials need to be told that their policy of ridiculously cheap gasoline was what was fueling smuggling across the border to Benin, where gasoline was more expensive?

Of course, Benin would protest the border closure, claiming it violated the protocol of the Economic Community of West African States (ECOWAS), which permits free movement of goods and people. The border would be opened after a summit between the presidents of the two countries. Smuggling activity would resume, depriving Nigeria of much-needed gasoline. Threats would be issued: "Gasoline smugglers would be shot on sight!" But then, customs officials can always be bribed to look the other way. For much of the postcolonial period, most African governments have been engaged in such "crisis-management".

Rent-Seeking, Culture of Fraud, Bribery, and Corruption

The Byzantine maze of state controls and regulations provided the vampire elites with golden opportunities for self-enrichment. In Egypt, for example, securing an ordinary permit to put up a house required obtaining permits from no less than 30 government agencies with overlapping jurisdiction. In Ghana, securing a license to import a commodity required submitting an application in triplicate and getting approval from three levels of authority: from the Ministry of Trade, the Ministry of Finance, and the Bank of Ghana, which resulted in an interminable waiting period during the 1970s. To set up a business in Nigeria, an entrepreneur had to comply with the 1963 Immigration Act, 1964 Indigenization Guidelines, 1968 Companies Decree, 1972 Nigerian Enterprises Promotion Decree (amended in 1973, 1974, and 1977), as well as other stifling regulations pertaining to what could be imported, who could be hired, and how much could be repatriated abroad. In 1977, dividend payments were restricted to 40 percent. According to **Martin Plaut, a BBC Africa analyst,**

> **"The World Bank says that four-fifths of the most difficult countries in the world to do business are in Africa . . .**
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> - **Mozambique: 153 days to start a firm**
> - **Congo: 155 days**
> - **Nigeria: 21 procedures to register a business but just 3 in Finland**
> - **Chad: 19 procedures**
> - **Angola: Three years to enforce a contract" (BBC News, Sept 8, 2004. Web posted at http://news.bbc.co.uk/2/hi/africa/3638018.stm).**

Compliance with the multiplicity of regulations was often frustrating and time consuming. Tempers flared when applicants and potential investors were endlessly shuttled back and forth to obtain permits from senior government officials who, more often than not, were absent for extended lunches with their young mistresses. Hucksters saw an opportunity to Aexpedite@ the process and charge a Afee.@ Civil servants could also exploit the situation. They would suddenly run out of application forms for passports creating a contrived shortage. A bribe of say, $5 would promptly produce such an application form. In this case, a Ashortage@ of application forms is manufactured to enable the civil servant to extort a Apremium,@ a Acommission,@ or a Arent@ for its Ascarcity,@ as others do in a real black market. Economists call these kind of activities Arent-seeking.@ Rent-seeking activities retard economic growth — merely redistributing wealth and not producing it. Rent seekers become rich extracting Acommissions@ on contrived shortages.

Many demand bribes outright, exploit their positions in government, and manipulate the state's regulatory powers to supplement their meager salaries. "Because every permit has its price, Nigerian officials invent endless new rules. A guard outside a ministry demands a special permit for you to enter; a customs inspector invents an environmental regulation to let in your imports; an airline official charges passengers for their boarding cards" (*The Economist*, August, 21, 1993; Survey, p.5). Indeed, said Tony Nze Njoku, AEvery official transaction provides an avenue to amass wealth, which leads to poor service and failed government programs@ (*Finance and Development,* June 1998; p.56).

Almost every government regulation and nuance of policy can be exploited. Revenue collection, passport control, and even government stationery can all be diverted, manipulated, or used for illicit gain. In Cameroon, the Ministry of Finance and Economy is supposed to be open to the public at 11:00 a.m. Abut for 500 Cameroonian francs the guards will let you in as much as three hours early@ (*West Africa*, March 13-19, 2000 p.16).

The phenomenon of Achasing files@ breeds a culture of fraud, bribery, and corruption. AIn Cameroonian government administrative services, if you do not give money your file will not be processed. Documents will even be removed from them in order to render a file incomplete. If you do not `talk well' your file will be sat upon, your child will not go to school, the magistrate will send you to prison@ (*West Africa*, March 13-19, 2000 p.16).

Quite often, however, the ruling vampire elites take advantage of the same shortage situation they publicly lament and profit from their own mismanagement of the economy. They purchase commodities at government-controlled prices that they later resell on the black market to reap a huge profit. As journalist Ben Ephson explained,

> *Kalabule* dates back to the late Acheampong's era when inflation was rising uncontrollably. It was at that time that chits were being issued, mainly to women to collect goods which were being sold on the open market. Non-bakers had huge allocations of flour and young girls just out of school were collecting weekly allocations of 100 bags of cement, ten cartons each of milk, milo, etc. [When Limann's civilian government was elected in 1979], party leaders felt those who helped the party come to power had to be rewarded. This reward came in the form of chits to

> collect flour, milk, sugar, beverages, wax prints etc., which were in turn sold to *Makola* [market] women. The party man gave the price to his contact man at $650, the contact man too had to chop, so—in turn gave it to the market woman at $750 and before it got to the actual baker, the price ranged between $850-950. The control price of a bag of flour was $114.00. (*West Africa,* Oct 4, 1982 p.2571)

In Rwanda, the late President Juvenal Habyarimana ran lucrative rackets in everything from development aid to marijuana smuggling. "Habyarimana and his in-laws operated the country's sole illegal foreign exchange bureau in tandem with the central bank. One dollar was worth 100 Rwandan francs in the bank or 150 on the black market. The president and his brother-in-law took dollars from the central bank and exchanged them in the exchange bureau" (*The Washington Post,* April 18, 1995; p.A17).

In Nigeria, "Abacha, the late head of state of Nigeria, increasingly monopolized the oil trade for himself,' said John Bearman, a London-based oil industry analyst. `There's no deal that does not go through the presidential villa'" (*The Washington Post,* June 9,1998; p.A19). In 1996 and 1997, more than $2 billion was diverted from the Nigeria's four state-owned oil refineries by corrupt Finance and Oil ministers, leading to the collapse of the refineries for lack of repairs. **When price controls created gasoline shortages forcing Nigerian to import refined fuels, the vampire elites immediately saw a profitable opportunity and grabbed that trade too, skimming off a percentage. "The government subsidizes the sale price of gasoline and other fuels, but Abacha loyalists among the officer corps and civil service divert much of the available supply to sell on the black market or to neighboring countries" (*The Washington Post*, June 9, 1998; p.A19). In this way, they profit from the very problem they themselves created.**

Import Controls

The richest opportunity, however, was provided by import controls, which were intended to curtail the volume of imports and thereby conserve the scarce foreign exchange needed to import machinery and other equipment essential for development. Import controls and licensing were the tools often employed to reduce the huge demand and match it to the available supply of foreign exchange. But import controls and licenses became the most fraud-ridden systems.

To import an item, a permit or a license was required from the Ministry of Trade. The licenses quickly became scarce. Ministers quickly discovered that they could use the labyrinth of controls to enrich themselves. Ministers and government officials at the trade ministry demanded bribes — 10 percent of the value of the import license — before issuing them. The withholding of licenses was then used to punish political rivals and businesses associated with the opposition. In the late 1980s, import licenses were denied to the publications *Free Press, Ashanti Pioneer* in Ghana and *Footprints* in Liberia for their criticism of government policies. In Ghana, the administration of import licenses was most notorious for its gross malpractices, which were exposed by various commissions of enquiry: See Akainyah (1964); Abrahams (1965); and Gaisie (1973). These commissions revealed that, with the payment of a bribe—usually 10 percent of the value—importers could import anything, sending the volume of imports out of control.

Imports were often over-invoiced to enable importers to keep some foreign exchange balances abroad. For example, suppose a product cost $100 to import from Britain. Through a secret agreement between the Ghanaian importer and the British supplier, the item would be invoiced for $250 and the invoice presented to the Ministry of Trade or the Bank of Ghana for payment as all foreign exchange transactions were managed by the government. Upon payment of the invoice, the difference ($150) would be split between the Ghanaian importer and the British supplier. Similarly, exports were also under-invoiced. These schemes drained the country of much-needed foreign exchange. Since foreign exchange was scarce, civilians would connive with certain bank officials to defraud the Bank of Ghana of hard-earned foreign exchange. Then more commissions of enquiry were set. And on and on; nothing learned.

The Patronage System and Governance

Finally, state controls conferred upon the head of state—unintentionally perhaps—an enormous amount of economic and social power. Monopolization of political power had already been attained under the decrepit one-party state systems. The head of state soon discovered that the power to direct economic activity and to channel resources to the state could be used capriciously in a variety of ways:

★ To channel development to certain areas of the country, such as his hometown,
★ To undertake "social engineering" or indoctrination'
★ To maintain his political support base and buy new supporters, and
★ To punish rivals or the opposition.

Although African strongmen and officials administering state controls initially did make the effort to "spread development" to areas long neglected by the colonial administrators, they soon started to use the control regime for more selfish, political, social, and sinister purposes. Resources siphoned by the state could be used to buy political support (clientelism). Before long, state controls were being used by African leaders to advance their own selfish economic interest as well as those of their kinsmen and supporters, to silence their critics, and to punish political opponents. State controls also allowed African leaders to extract resources which were then used to build huge personal fortunes and to generate a Aspoils system@ (patronage) to buy political supporters. According to Taylor (2004), AThe problem for African development is that whilst individuals within such patronage networks may benefit handsomely, the system fundamentally fails to promote economic growth and development and in actual fact rapidly sabotaged the high aspirations of independence@ (p.5).

Africa's autocrats also need political support. A spoils system, therefore, was devised to dispense patronage to loyal supporters, cronies, and tribesmen as well as buy new political support. In Malawi, the late Life-President Banda used the instruments of the state to pay his political supporters by transforming them into commercial agricultural estate owners whose prosperity and economic security depended upon their personal loyalty to the president. According to Libby (1987):

> At the center of political power in Zaire is the president and his personal allies who have control over vast powers of patronage that originate from the president. For example, the Bank of Zaire, SOZACOM (the now defunct state-owned mining marketing organization), and the Gecamines (the state mining company) were under the president's personal control and were administered on his behalf by his family and close political allies. Thus Mobutu and his political allies use their control of the state apparatus not only to enrich themselves but more importantly to bind the ruling class together in support of the regime" (p.273).

In Malawi, Banda was able to rip off economic surplus from peasant producers and transfer it to the estate sector through two commercial banks; his holding company—Press Holdings—and the parastatal Agricultural Development and Marketing Corporation (ADMARC). ABetween 1972 and 1981, Press Holdings was the single largest recipient of ADMARC's loans. About 27.9 million *kwacha* (about $65 million) was transferred to the president this way@ (Libby 1987 p.191). These were huge sums of money the president could use to buy political support.

Strongmen can channel low-interest loans and contracts from public agencies to their friends and allies. According to Kwame Ashaai, a columnist, "In Rawlings Ghana, procurement or public works contracts are awarded to contractors, not on basis of ability to do the jobs well, and at the lowest costs, but on basis of affiliation and connections with the ruling NDC party or its top brass, or on basis of agreement to pay for the contracts" (*Free Press* Oct 30—Nov 5 1996; p. 5). In Ivory Coast, companies with links to President Konan Bedie's family allegedly grew fat in financial services and commodity trading, while others gobbled up the most profitable privatized state companies (*The Economist,* Dec 12, 1998; p. 46). In Nigeria, for example, the late head of state, General Sani Abacha, used state controls to grant a business set up by his oldest son, Ibrahim, extensive privileges. The business, Delta Prospectors Ltd, mines barite, a mineral that is a source of barium and an essential material for oil production. "In the spring of 1998, shortly after Delta had announced that its operation had reached full production, the Abacha government declared a ban on imports of barite, making the Abacha-owned company the monopoly provider for the huge Nigerian oil industry" (*The Washington Post* June 9 1998; p.A19).

State workers may be provided with subsidized housing and transportation or given "essential commodities" (sardines, corned beef, tinned milk) at government-controlled prices. In Senegal, people were rewarded for their vote with bags of rice; workers in pro-government trade unions got the best pay and conditions; student party members were first in line for scholarships (*The Economist* April 18, 1998, p 44). Some patrons may supply their clients with opportunities for illegal gain from public office. Corruption is another such opportunity—accepting or extorting bribes for decisions or actions taken in a public capacity. Other opportunities include theft of public property, the illegal appropriation of public revenues (fraud), and nepotism.

Strongmen may also Areward their clients by granting preferential access to resources which are subject to government regulation, permits. For example, favorable allocation of import or other licenses. All these allocations of non-governmental benefits can become counters in the game of factional maneuver. Corruption and misuse of public office has reached exceptional levels also in Nigeria" (Sandbrook 1993, p. 94). "One of General Abacha's main sources of patronage is the system that enables a lucky few to buy foreign exchange at 22 *naira* to the dollar, while others pay 80" (*The Economist* Nov 9 1996; p.46). And "In Rawlings' Ghana, import permits, bank loans, etc. are awarded on orders of ministers, and only to friends, relatives, NDC members, or those who pay huge bribes. Businessmen and women who have NDC connections often enjoy tax exemption, penalty waivers, or get their tax obligations reduced. They may even be left to go free when caught evading taxation, or to have made false declarations regarding tax liabilities" (*Free Press* Oct 30 B Nov 5 1996; p.5).

Soldiers can be bought with pay increases, subsidized housing, commodities, and faster promotions. In 1993 General Ibrahim Babangida "rewarded nearly 3,000 of his most loyal military chiefs by giving them new Peugeot sedans, which cost the equivalent of $21,000 each in Lagos. A senior university professor, for example, earns about $4,000 a year, while a nurse or mechanic is lucky to bring home more than $1,000"
(*The New York Times* Dec. 2, 1993; p. A3).

The success of the patronage system in buying political support, however, depends on the ability of the strongman or center to generate the resources required to appease or purchase the support of the major social groups. Such resources may be capriciously seized through exorbitant taxes, steep hikes in excise duties on imports, gasoline prices, and through various legislative edits and structures, such as price controls, value-added tax (VAT), marketing boards and other state controls. Alternatively, the strongman may attempt to generate such resources artificially—on paper, by printing money. The net result is declining production, tax evasion, escalating government expenditures, recourse to the central bank for financing, and, ultimately, inflation.

Regardless, the dispensation of patronage to buy political support has resulted in soaring government expenditures and bloated, inefficient African bureaucracies that waste scarce resources. "Jobs for the boys" in the civil service, government boards and public corporations become unproductive charges to the state: "In 1984, 20 percent of Ghana's public sector workforce was declared redundant by the Secretary of Finance" (*West Africa* Jan. 27, 1986; p.178). "This country had 50,000 civil servants who were consuming 51 percent of the nation's wealth", complained Guinea's reformist prime minister, Sidya Toure (*The The Washington Times* Oct. 17 1996; p.A19). In Kenya, "the civil service has grown by 10 percent to 500,000 in ten years, whose salaries take up half the budget; another third currently goes in repayment of internal and external debts" (*The Economist*, April 19 1998; p.42). But trimming these bureaucracies, as demanded by the imperatives of economic reform (or structural adjustment), has been anathema to the ruling elites since it cripples their ability to maintain their political support base. In Ghana, the total number of cabinet and deputy portfolios reached an astonishing 88 in 1995. Similarly, in 1996,

> "President Robert Mugabe of Zimbabwe has upped his cabinet by two to 28. That takes the number of officials with ministerial status to 54. Economist Eric Bloch attributes Mugabe's move to an entrenched system of patronage: "It is regrettable. People continue to be rewarded for loyal past services even if we can't afford that reward. It's incomprehensible that Zimbabwe should require a cabinet of a greater number than the U.K., France or South Africa when we have a population that is a fraction of those countries", (*The African Observer* May 23-June 5 1996; p. 23).

South Africa has a 25-member cabinet and 17 deputy portfolios.

To facilitate the dispensation of patronage and reduce any threat to their power, the ruling elites usurp control over all key state institutions: the army, police, civil service, state media, parliament, judiciary, central bank, and educational system. These institutions are packed with trusted lieutenants, cronies, supporters, and tribesmen. Professionalism in these institutions is destroyed and replaced with sycophancy. State institutions become paralyzed and begin to decay. Laxity, ineptitude, indiscipline, and inefficiency thus flourish in the public sector. Rule of law is for the oppressed people; official bandits are exempt. The functions of state institutions become debauched. The police are themselves highway robbers and judges are crooks. The worst institution is the military — the most trenchantly perverted institution in Africa. In any normal, civilized society, the function of the military is to defend the territorial integrity of the nation and the people against external aggression. In Africa, the military is instead locked in constant combat with the very people it is supposed to defend.

It is important to recognize that economic progress in Africa will be elusive unless the key institutions enumerated above are wrestled out of the control of the ruling vampire elites. This requires the establishment of *independent institutions*: An independent central bank, an independent media, an independent judiciary, an efficient civil service, and neutral and professional armed forces. As I indicated in Chapter 2, the provision of Western aid should be conditioned upon the establishment of these independent institutions and not on the promises or rhetoric of Africa's coconut leaders.

Failed Industrialization Bid

Almost everywhere, the industrialization drive, launched with state enterprises and development planning, failed miserably to engineer development. In its wake, economic atrophy, repression, and dictatorship followed with morbid staccato. As Mabogunje (1988) asserted, "It is generally agreed that the false start in all African countries has been due largely to the high level of governmental and bureaucratic domination of the economy with its consequences of inefficiency, profligacy and inappropriate control" (p. 25). Though a few African state enterprises operated with efficiency, Athe overall image of the majority of these public enterprises is a depressing picture of inefficiency, losses, budgetary burdens and poor products and services@ (Etukudo 2000; p.23).

In fact, in the early days of their establishment, some public enterprises were modestly profitable. For example, in Nigeria, the former Electricity Corporation of Nigeria, the government railway, the commodity boards, as well as the regional marketing boards all generated surpluses that were reinvested in development projects. The then Eastern Nigeria Marketing Board provided ,5 million for the establishment of the University of Nigeria at Nsukka (Udoji, 1970; p.220). In Uganda, the Uganda Development Corporation had in 1967 a gross turnover of over ,22 million and an investment of over ,5 million in seven projects. Also in Kenya, especially in the 1970s, state-owned banks spurred growth and were important in the establishment of non-bank financial institutions as well as extensive rural banking (Etukudo 2000; p.23).

For the most part, however, public enterprises were unprofitable and chronically inefficient. In 1976, when Somalia installed a plant to box bananas, it discovered that "the quantity needed to make the plant break even exceeded the entire national output of bananas" (*Journal of Econ Growth*, 2: 3, 1987; p.4).
According to *the Wall Street Journal* (July 15, 1985),

> Togo built an oil refinery big enough to serve half a dozen West African countries. But Togo doesn't produce any oil. Hundreds of millions of dollars went to build five-star hotels and international airports in the remote jungle villages of Ivory Coast President Houphouet-Boigny and Zairian President Mobutu Sese Seko. Shorty after independence, Madagascar bought a jet plane and proudly named it `The Revolution.' Now, Chase Manhattan is trying to repossess `The Revolution' (p.18).

A tin can manufacturing plant in Kenya had such high production costs that cans full of vegetables could be imported from Asian competitors for cheaper than the cost of the Kenyan company's cans alone. The Kenyan government estimated that over $1.4 billion had been invested in state enterprises by the early 1980s. Yet, their annual average return had been 0.2 percent (Goldman 1992; p.10).

Civil war reduced Sudan to a vast open-air latrine and rubbish dump. Telephone service is non-existent since lines have been cut for years. Electricity and water supplies are sporadic. State-run schools are often closed, and doctors are more often than not on strike. Army and rebel forces have indiscriminately mined all roads and fields surrounding major towns. Out of this chaos flew the state-owned Sudan Air with nationalistic pride. As the *Wall Street Journal* (June 23, 1990) described it:

> The airline's timetable is meaningless; flights routinely skip scheduled stops, make unplanned layovers of several days, leave without passengers—or most commonly, don't leave at all. In late March, 1989, Sudan Air pilots went on strike. It was an empty gesture; the airline's entire fleet was already grounded due to maintenance problems and lack of jet fuel.
>
> In 1983, a Sudan Air 707 landed at night in the White Nile. Though accounts differ, pilots say the navigator mistook the river for the runway. In 1988, officials in London declared a Sudan Air plane unfit and sent it home empty. Passengers joke that the airline's international code, SD, stands for 'sudden death' (p.1).

Nigerian Airways' airbuses were routinely seized for nonpayment of maintenance and landing fees overseas. For two weeks in July 1989, over 1,000 Nigerians were stranded at Heathrow Airport waiting for Lagos-bound flights by Nigerian Airways (*West Africa* August 3—13, 1989; p.1305). At least, it has a better safety record, according to an anonymous reader who posted this on an Internet discussion forum:

Nigerian Airwaste

"Good morning, Ladies and Gentlemen. This is your captain welcoming you on board of Nigeria Airwaste.

We apologize for the four-day delay in taking off, it was due to bad weather and some overtime I had to put in at the work.

This is flight 126 to Lagos.

Landing in Lagos is not guaranteed, but we will end up somewhere in the South. If luck is in our favor, we may even be landing on your village!

Nigeria Airwaste has an excellent safety-record. In fact our safety standards are so high that even terrorists are afraid to fly with us!

It is with pleasure, I announce that starting this year over 50% of our passengers have reached their destination. If our engines are too noisy for you, on passenger request, we can arrange to turn them off!

To make your free fall to earth pleasant and memorable, we serve complimentary Bongo tea and Okin biscuits!

For our not-so-religious passengers, we are the only airline who can help you find out if there really is a God!

We regret to inform you, that today's in-flight movie will not be shown as we forgot to record it from the television.

But for our movie buffs, we will be flying right next to Air Barka, where their movie will be visible from the right side of the cabin window.

There is no smoking allowed in this airplane. Any smoke you see in the cabin is only the early warning system on the engines telling us to slow down!

In order to catch important landmarks, we try to fly as close as possible for the best view. If, however, we go a little too close, do let us know. Our enthusiastic co-pilot sometimes flies right through the landmark!

Kindly be seated, keep your seat in an upright position for take-off and fasten your seat-belt.

For those of you who can't find a seat-belt, kindly fasten your own belt to the arm of your seat . And for those of you who can't find a seat, do not hesitate to get in touch with a stewardess who will explain how to fasten yourself to your suitcase".

Enjoy Nigeria Airwaste !

(Circulated on Nigerian Internet discussion forums Nigeriaworld and Naija-Politics in January 2003).

Three fatal crashes in a year, however, forced the issue of airline safety into full public debate.[2] **"I am nervous," said Nnenna Mazi, as she waited in the domestic departure lounge at Abuja, a week after the ADC crash (*The Washington Post,* Nov 5, 2006; p.A20). "I had to start praying about the flights like two days before I took off," she added. Abayome Awe, a physician with the federal Health Ministry, was more philosophical: "My nervousness is worse on the road. You have to choose between the two evils. This one (flying) is the lesser one" (*The Washington Post,* Nov 5, 2006; p.A20). Shortly before his flight from Abuja to Lagos, his daughter called on his cellphoone, inquiring if he was going to make back to Lagos for the weekend. "By the grace of God," he told her, "I will still come" (*The Washington Post,* Nov 5, 2006; p.A20).**

Some attempts were made by African governments to privatize loss-making state enterprises but there was often fierce resistance from state workers. In Tunisia, for example, the government ran the airline, the steel mill, the phosphate mines, and 150 factories, employing a third of Tunisian workers. Before 1990, 35 companies were sold off, but fewer than 20 have sold since.

Private businessman Afif Kilani bought one such company called Comfort, a featherbed for 1,200 workers who built 15,000 refrigerators a year. Mr. Kilani paid $3.3 million for the place in 1990. Five years later, he had whittled the workforce down to 600 workers who made 200,000 refrigerators a year. "Like all state companies, its point had been to support the maximum number of jobs", he said. "It was social work. A sort of welfare". (*The Wall Street Journal* June 22, 1995; p.A11).

It is estimated that up until the 1970s, "at least 50 per cent of the corporations in Nigeria and Ghana had had public inquiries conducted into their operations" and that between 1960 and 1966 the Nigerian Railways alone had 13 inquiries into its activities (Udoji, 1970; p.219). Following a special committee set up in 1961 by the federal government of Nigeria, a public policy statement was issued to the effect that public corporations should enjoy an appropriate measure of independence and should not be subjected to direct government interference in their day-to-day activities. But political interference in the affairs of the corporations—continued unabated. AChairmen usurped the powers of chief executives, ministers usurped the powers and functions of both chairmen and chief executives. The management of some of the corporations was chaotic as it became a hotbed of power struggles@ (Etukudo, 2000; p.27). In such a chaotic situation, the finances and general management of these enterprises were in such a parlous state that, in 1986, the Nigerian federal government issued instructions to the effect that "the volume of non-statutory transfers to all economic and quasi-economic parastatals will constitute no more than 50 per cent of their present levels. Public enterprises were required to provide the balance from price increases, charges, tariffs and rates". A similar injunction was issued in Zambia by former President Kenneth Kaunda to the Zambia Industrial and Mining Corporation Limited (ZIMCO) and its subsidiaries to the effect that they "were business enterprises first and state-owned companies thereafter". They were therefore to operate "no less efficiently than any other business undertaking" (Etukudo, 2000; p.29).

In 1958, when Guinea gained its independence from France, it was considered to have the richest potential of Francophone Africa. It had one-quarter of the world's bauxite as well as copious reserves of gold and diamonds. Prior to independence, Guinea was exporting food to neighboring French colonies, thanks largely to its fertile land. In addition, thousands of tons of bananas, pineapples, and coffee were shipped to Europe.

Proclaiming a doctrine of "Marxism in African clothes", the first president, Ahmed Sekou Toure, set the country on a rigid course of state planning and controls. Unauthorized trading became a crime. Police roadblocks were set up around the country to control internal trade. Foreign trade was monopolized by the state and smuggling was made punishable by death. Currency trafficking attracted stiff penalties, ranging from 15 to 20 years in prison. Farms were collectivized and food prices fixed at below-market levels. Private farmers were forced to deliver annual harvest quotas to "Local Revolutionary Powers". Thousands of Guineans, who protested Toure's dictatorial rule, were imprisoned or executed. By 1984, at the time of Toure's death after 26 years of tyrannical rule, Guinea, once a food exporter, was spending a third of its foreign exchange earnings from bauxite on food. Further, saying Anyet!@ to Toure's crass revolution, as many as two million Guineans had fled to neighboring countries and Europe to live as voluntary exiles. The same Marxist/socialist experiment was attempted in Ghana.

I will now look at the privatization problems in depth in several African countries.

Ghana

At independence in 1957, Ghana started on the development road with the same per capita income of $200 as South Korea, which made Ghana one of the richest countries in the developing world. Its civil service, rooted in British tradition, was fairly efficient. Foreign exchange reserves stood at $400 million and the country was the world's leading producer of cocoa. Its first president, Dr. Kwame Nkrumah, launched an ambitious industrialization program that hope to achieve in a decade what it took others a century. Foreign companies were nationalized and state monopolies established. A bewildering array of legislative controls pertaining to prices, interest, and exchange transactions were imposed. By 1965, agricultural production had plummeted and food shortages had appeared in the country, which once used to export food.

A master plan—the Seven-Year Development Plan B was drawn up to launch Ghana into the industrial age. Factories were built and whole industries set up at incredible speed. Technical institutes cropped up, and even an atomic energy commission was established at Kwabenya. But it became apparent that the drive toward industrialization was governed more by considerations of prestige than rationality. Not surprisingly, Ghana's Seven-Year Development Plan achieved little if any by way of development. The indictment by Tony Killick (1978) was more scathing:

> The 7-Year Plan, then, was a piece of paper, with an operational impact close to zero. Why? It could be argued that this was due to defects in the plan itself, to shortages of staff to monitor and implement it, and to the intervention of factors beyond Ghana's control, especially the falling world cocoa prices of the early and mid-sixties. [But] in retrospect, we see an almost total gap between the theoretical advantages of planning and the record of the 7-Year Plan. Far from providing a superior set of signals, it was seriously flawed as a technical document and, in any case, subsequent actions of government bore little relation to it. Far from counteracting the alleged myopia of private decision-takers, government decisions tended to be dominated by short-term expediency and were rarely based upon careful appraisals of their economic consequences. The plan was subverted, as most plans are, by insufficient political determination to make it work (p.143).

The state enterprises established by Nkrumah were intended to produce consumer goods that were previously imported in the hope that foreign exchange would be saved and employment created. The businesses were hastily and haphazardly established. In many cases, feasibility studies were not done to determine the economic viability of the enterprises. About 74 percent of the total inputs into the manufacturing sector were imported (Killick 1978; p.201). Thus, there were delays in the importation of inputs—either due to the insufficient allocation of import licenses, managerial incompetence, or scarce foreign exchange. The delays idled production. Since workers in state enterprises were seldom terminated or furloughed, they were paid even when they produced nothing. The enterprises were saddled with chronic inefficiency and underproduction. Nkrumah's state enterprises could not deliver the goods and when they did, the final products were more expensive than the imported substitute.

The government of Ghana estimated that at the end of the 1966, actual manufacturing output was only one-fifth of the single-shift capacity of installed plant. Even the 1965 Annual Plan, prepared by the government itself, showed that actual production in the state industrial enterprises was only 29 percent of their capacity. Of the 20 state manufacturing enterprises that were in operation in 1964, only 10 were working to half or more than half of their optimum capacity. In three cases, the actual production was even less than l0 percent of the full capacity. In one case, (the paper bag division of the Paper Conversion Corporation at Takoradi) the rate of utilization was as low as 3.5 percent. On average, the 20 state manufacturing enterprises were using only 42 percent of their total productive capacity (Ahmad 1970; p. 116).

Underutilization was extensive during the 1960s. In March 1966, as many as 13 of the State Fishing Corporation's 17 fishing vessels had been tied up at home and abroad for want of repairs or attention. Six of them were at Japanese ports incurring daily mooring charges of $50 (*Daily Graphic* Nov 17 1978; p.6).

Worse, the state enterprises turned out to be inefficient at saving of foreign exchange. Steel (1972) concluded from his study that:

> AExisting structure and utilization of manufacturing capacity represents a very costly and inefficient method of gaining foreign exchange and raising national income. Even worse, 24 percent of output was produced at a net loss in foreign exchange, taking into account all foreign exchange costs of capital and domestically-produced inputs" (p.226).

In other terms, an item that could be imported for $10 was being produced and sold by Ghana's state enterprises for $15. That many state enterprises were net users of foreign exchange is further supported by a study by Killick (1978). He showed that between 1966 and 1970, when the quantity of imports of industrial raw materials went up by nearly one-half, gross output per manufacturing establishment actually declined in real terms by 9 percent and that constant-price value-added per establishment went down by a remarkable 2 percent over the same period (p.197). In other words, the contribution of state enterprises to the national output was negative.

It is ludicrous to even ask how profitable the state enterprises were. At the time of the coup in Ghana in 1966 only 3 or 4 of the 64 state enterprises were paying their way (Garlick 1971; p.141). Killick's calculations on some selected state enterprises showed that in 1964-65, 23 of them made losses totaling 14, 116,000 *cedis*.

More disturbing was the co-existence of certain loss-making public enterprises with private firms that can be assumed to have been profitable by virtue of their continued existence. Cases in point were State Fishing, State Construction, State Transport, State Footwear, and State Housing Corporations (Killick 1978; p.218).

In fishing, for example, the private company, Mankoadze Fisheries Ltd. had been remarkably successful while its government counterpart was plagued with excess capacity. In 1967, three of the State Fishing Corporation's vessels were sold to Mankoadze and in January 22, 1979, Colonel S. M. Akwagyiram, Commissioner for Agriculture, "praised the spectacular results of Mankoadze for defying the numerous odds it encountered in the past 20 years to build the biggest African-owned fishing company on the African continent" (*Daily Graphic* Jan 22, 1979; p.3).

On another test of efficiency, Killick (1978) showed, using available fragmentary evidence, that the state enterprises, which tended to be more capital-intensive, had lower labor productivities than their private counterparts. The productivity achieved by workers in the state enterprises barely approached 50 percent of the level achieved by workers in the private sector (Killick 1978; p.223, Table 9.2).

Evidently, these state enterprises, more often than not, were riddled with gross inefficiency, waste, and bureaucratic corruption. The following snippets of information provide some limited insight into the sordid performance of Ghana's state enterprises:

- Ghana's State Meat Factory at Bolgatanga, which produces the VOLTA corned beef, was closed for 9 months. Yet, employees received full pay (*West Africa,* Nov 30 1981; p.2884).
- "The Boatyard Division of GIHOC at Mumford Village in the Apam District (Central Region) has launched only 6 vessels with a workforce of 40 employees since its establishment 9 years ago" (*Daily Graphic* Aug 14, 1981; p.8).
- A Yugoslav company built a mango-processing plant in Ghana with a capacity exceeding the entire world's trade in canned mangoes. When the factory was commissioned in 1964, it was discovered that the supply of mangoes came from a few trees scattered in the bush (Killick 1978; p.229).
- The Ghana government owns nearly 90 percent of the companies doing business in the country. There are nearly 340 plus state-owned enterprises. Out of this number, only 17 have posted improved figures to date (*Ghana Drum* Oct 1992; p.17).
- In 1972, the government took over the African Timber and Plywood Company. Before the take-over, "production was 75 percent of installed capacity but this has fallen to a woeful 13

percent" (West *Africa* Oct 12, 1981; p.2422).

- In 1976, the government of Ghana took over R. T. Briscoe, a foreign company. "Before the take-over, the company was producing 241 buses in 1974. After the take-over, production was 12 buses in 1977 and only 6 buses in 1978" (*Daily Graphic*, Jan 18, 1979; p.1).
- In 1980, the government of Ghana voted 80 million *cedis* for the Ghana National Reconstruction Corps, a reconstituted State Farm Organization. At the end of the farming season, only 864, 0000 *cedis* was recovered (*Daily Graphic,* July 21, 1981; p.5).
- For 14 months, from November 1978 to January 1980, the State Jute Bag Factory was closed due to a shortage of raw materials. Yet, the 1,000 workers received full pay for the entire period of closure (*Punch* Aug 14-20, 1981; p.4).
- The pre-fab factory started by the Russians in 1962 has not produced a single home. Yet, 500 Ghanaian workers and 13 Soviet experts were drawing salaries for a period of 6 years (*Daily Graphic* Dec 6, 1978; p.5).

Clearly, Nkrumah's industrialization strategy was an un-equivocal failure. The massive investments in state enterprises turned out to be black elephants. Killick (1978) summed up the situation quite tersely:

> State enterprises were unprofitable—absolutely by comparison with public enterprises in other developing countries and by comparison with private enterprise in Ghana—and they were unprofitable despite considerable monopoly powers (and excessive effective rates of protection). State enterprises, then, failed to fill the entrepreneurial gap, to propel the economy forward and to generate the surpluses which Nkrumah demanded of them (p.227).

But getting rid of these unprofitable and inefficient state enterprises has been a chronic headache. For example, the water supply situation in Ghana's cities and regional capitals has suffered from inefficiencies over the years. They worsened over the past two decades due to poor urban development, population growth, and Ghana Water's own decrepit facilities and corrupt management practices. The state-owned corporation Aemploys 14 people per 1,000 customers—but according to one international expert, that should be down to about five. And half of Ghana Water's daily production of 120 million gallons is unaccounted for, lost through leaks and unpaid bills@ (*BBC World Service* Aug 13, 2003, web posted: www.bbc.co.uk).

Attempts to rectify the situation, including a $140 million project to improve the system in 1989, failed to get water flowing through the taps. Most homeowners in urban cities had to purchase water tanks at the considerable expense of 3 million *cedis* (or $400) because the taps ran only for a few hours for two or three days a week. In some parts of the capital city (Accra), such as Teshie-Nungua, Madina, and Adenta residents paid between 500 *cedis* and 1,000 *cedis* (5-12 cents) per bucket of four gallons from private suppliers. The official Ghana Water rate was 64 *cedis*.

The World Bank sought to Abribe@ the Ghana government to privatize the water supply system with an interest-free loan of $150 million to re-equip the state-run Ghana Water Company and hire new management. Immediately, opposition was registered from the country's National Coalition against the Privatization of Water (CAPW). The anti privatization lobby argued that access to water is a human right. "You can't privatize something as close to air as water, and allow market forces and profit motives to determine who can and who cannot have some to drink", said Ameng Etego, spokesman for the CAPW (*BBC World Service* Aug 13, 2003, web posted: www.bbc.co.uk). "We agree that there's need to improve efficiency and root out corruption at Ghana Water. But for the World Bank to insist that we privatize before it gives us a loan is plain blackmail. We should use the money to address the management problems internally", he added. But the *real* issue was not whether private suppliers earn a profit or not. Rather, it was having access to water at 500 *cedis* or not having water at 64 *cedis.*

Tanzania

In Tanzania, Nyerere's industrialization and social transformation were also a stunning fiasco. In 1967, Tanzania's ruling party adopted the Arusha Declaration establishing a socialist state where the workers and peasants controlled and owned the means of production. Banks, insurance companies, and foreign trading companies were nationalized. Nyerere stated as one of his principles of socialism that: "It is the responsibility of the state to intervene actively in the economic life of the nation so as to ensure the well-being of the all citizens". After 1967, the Tanzanian state became predominant in all spheres. The state took over all commercial banks, insurance companies, grain mills, and the main import-export firms, and acquired a controlling interest in the major multinational corporation subsidiaries and the sisal industry. A "villagization" program (A*Ujamaa*@) was adopted to encourage the communal production, marketing and distribution of farm crops.

In 1973, Nyerere undertook massive resettlement programs under "Operation Dodoma", "Operation Sogeza", "Operation Kigoma", and many others to create "communal villages" or *Ujamaa.* Peasants were loaded into trucks, often forcibly, and moved to new locations. Many lost their lives and property in the process. To prevent them from returning to their old habitats, the government bulldozed the abandoned buildings. By 1976, some 13 million peasants had been forced into 8,000 cooperative villages, and by the end of the 1970s, about 91 percent of the entire rural population had been moved into government villages (Zinsmeister, 1987; p.13). All crops were to be bought and distributed by the government. It was illegal for the peasants to sell their own produce. This was in clear violation of traditional African practices.

Between 1967 and 1973, the number of rural villagers who were officially designated as residing in Ujamaa villages increased from one-half million to two million (or an estimated 15 percent of the rural population). However, according to Japheth M. M. Ndaro, director of the Institute of Development Planning at Dodoma, during the period 1961-70, the inhabitants of Dodoma devised and adopted strategies that did not conform with the political slogan of nation building that was dominant in the early 1960s. In some parts of the district, the concept of *Ujamaa* actually stifled local initiative. "All in all, the Arusha Declaration of 1967 and the *Ujamaa* Policy of 1968, which marked an important milestone in the development of the country as a whole, did not inspire the people of Dodoma to engage in development initiatives that were alien to their socio-cultural environment" (in Taylor and Mackenzie 1992; p. 178).

Even worse, forced settlement later proved to be an ecological disaster. U.N. agencies estimated that about one-third of Tanzania is threatened by desertification due to deforestation, over—grazing, over Bcultivation, and population increase because of the government's policy of villagization. ACritics say this caused lower farm yields and increased land degradation since families were settled regardless of land fertility or livestock numbers@ (*New African* Nov 1991; p.35).

The agricultural economy was left devastated by state controls. Production of most crops showed a steady decline after 1974. Overall output of food crops rose only 2.1 percent between 1970 and 1982, well below the population growth of 3.5 percent. By 1981, a food crisis had gripped the nation, turning it into a net importer of basic foodstuffs. The country had to import one million tons of grain to avert population starvation. The towns and cities had to be supplied with imports of grain costing as estimated 2,000 million shillings (Libby 1987; p.254). In 1971/72, grain imports were 135,000 tons, including 90,000 tons of maize. In 1972—73, grain imports dropped to 90,000 tons, of which 80,000 tons were maize. However, during the next year from August 1973 to July 1974, Tanzania was forced to import over 500,000 tons of maize alone (*African Business* 1979; p.21). For eight years (1974-1982), Tanzania's income per capita had remained stagnant at $210 (World Bank 2000a; p.35). Exports of agricultural produce were similarly affected, impairing the country's capacity to earn foreign exchange:

> Exports of cotton have fallen to pre-independent volumes and sisal output is less than a third of its 1961 total. In the last ten years, the annual cashew exports fell from 140,000 to 30,000 tons. The total tonnage of all export crops was 20 percent less in 1984 than it had been in 1970. Production of basic food crops, such as maize, rice and wheat, have also declined to half their 1972 levels. And, as could be expected, food imports have doubled" (Zinsmeister, 1987; p.33).

After the Arusha Declaration of 1967, the Tanzanian state became predominant in all spheres. The state took over all commercial banks, insurance companies, grain mills, and the main import-export firms, and acquired a controlling interest in the major multinational corporation subsidiaries, coffee estates, and the sisal industry. No role was envisaged for private investors. Within a decade, however, more than half of the 330 state-run enterprises set up by Nyerere became scandalously inefficient and broke. Tanzania's state enterprises could barely produce. They were characterized by overstaffing, and high overheads that perpetuated a costly elitist rule by bureaucrats. The government-run factories operated at 10 to 30 percent of capacity. For example, the state-owned Morongo Shoe Company (MSC) was financed by the World Bank. Based on abundant supplies of hides and skins, the project was supposed to be a low-technology, economies-of-scale activity that would expand the country's exports. About 80 percent of the shoes were to be shipped to Europe. But when the plant became operational in the 1980s, "MSC achieved just over 5 percent capacity utilization. By 1986, the figure was below 3 percent. Most of the machines were never used, quality and design were abysmal, and unit costs were very high and the factory was eventually abandoned" (Luke 1995; p.154). Another example is the state brewery that produced the local Safari beer. Production was hideously inefficient and quality-control non-existent. A stray cockroach could now and then be spotted in the bottled brew. In 1993, the government sold part of its stake to a South African company.

The entire industrial sector contributed only 8 percent to GNP in 1998. The government sector was hideously overmanned, employing some 75 percent of the formal labor force. The Nyerere socialist failure would have been even more devastating had it not been for the generous external assistance it received.

Between 1978 and 1981, over $3 billion if foreign aid poured into Tanzania. By the early 1980s, foreign charity was paying for over 16 percent of the nations' GNP, including 60 percent of the development budget and more than half of all imports. Still, the economy floundered. The *The New York Times* (Oct 24, 1990) reported that, "at first, many Western aid donors, particularly in Scandinavia, gave enthusiastic backing to this socialist experiment, pouring an estimated $10 billion into Tanzania over 20 years. But when Nyerere left the stage, the country's largely agricultural economy was in ruins, with its 26 million people eking out their living on a per capita income of slightly more than $200 a year, one of the lowest in the world" (p.A8).

The 1990 World Development Report by the World Bank noted that Tanzania's economy contracted an average of 0.5 percent a year between 1965 and 1988. Average personal consumption declined dramatically by 43 percent between 1973 and 1988. Infrastructure crumbled under Nyerere's rule. *The Economist* observed that for all the aid poured into the country, Tanzania only had "pot-holed roads, decaying buildings, cracked pavements, demoralized clinics and universities, and a 1988 income per capita of $160 (lower than at independence in 1961)" to show for it (June 2, 1990; p.48). A dilapidated telecommunications system was also a feature of Tanzanian society. The Tan-Zam railway completed by the Chinese operated under low capacity due to lack of railway engines. The Tanzanian Railways Corporation, with support from Canada, operates a rail service on other tracks. But since the tracks are of a different gauge, the engines can not be used on the Tan-Zam line.

Delivery of social services collapsed under Nyerere's tenure. The Muhimbili Medical Center where the Dar-es-Salaam University of Medicine is based and which serves as the only referral hospital for all Tanzanians, often had no drugs and was in a state of complete collapse for much of the 1990s. Educational institutions similarly crumbled to such an extent that government officials sought medical care overseas—as was the case with Nyerere himself—and sent their children to foreign schools.

In 1996, Denmark and even Canada suspended aid to Tanzania, citing rampant corruption. Senior government officials and major politicians were brazenly exempting themselves from paying taxes. In 1993, there were over 2,000 such exemptions, costing the treasury $113 million. When corruption first reared its head in the early 1970s, Nyerere set up a Corruption Bureau. But very quickly, bureau officials themselves became corrupt and one of its top officials was himself seen bribing an airline official to secure a ticket for Tanzanian Airways.

Similarly, Zambia under Kaunda , according to *The Washington Post* (Sept 12 1995), fit the classic mold of the command economy: "Through companies it controlled, the state ran virtually everything, from the cultivation of maize to the baking of bread to the mining of copper. Payrolls were heavily padded, with employees receiving housing, cars and free airfare on the national airline. Even food was subsidized" (p.A12).

In Mozambique, FRELIMO sought to replicate Tanzania's model by establishing an embryonic socialist state replete with collectivized agriculture, crop-growing schemes, village political committees, and health programs. The party took over about 1,000 "fortified villages" that the Portuguese regime had created to cut off contact with FRELIMO and converted them into communal villages involving a million people. Other communal villages were set up in the aftermath of the Limpopo and Zambezi Valley floods in 1977 and 1978, and still more were created in response to the resurgence of MNR guerilla war in Manica and Sofala.

According to Libby (1987):

> The centerpiece of Frelimo's rural social program for Mozambique was the collectivization of agriculture into communal villages and cooperative farms. Agricultural cooperatives were intended to provide an integrated production base for the communal villages. Hence, villagization was designed to increase food and cash crop production and to make available common facilities for farming as well as provide social services such as education and health comparable with *Ujamaa* villages in Tanzania. (p.216)

Uganda

In Uganda, in contrast to Ghana, there was no ideological basis to statism, nor strident rhetoric about colonialism and imperialist enemies. But there was an enemy nonetheless. As in Nigeria, the enemies were the foreign companies and expatriates. Until 1971, the Ugandan economy enjoyed a fairly robust growth. Gross domestic product grew at 4.8 percent per annum between 1963 and 1970, giving a respectable increase in per capita terms of at least 2 percent. The country also maintained a reasonable saving rate, averaging 13 percent, which permitted the implementation of an ambitious investment program without adverse effects on domestic prices or the balance of payments. Though exports grew slowly, earnings were more than adequate to cover import requirements, leaving a healthy current account surplus on the trade balance in most of the years. Even the government was running a sizable budget surplus during the latter part of the 1960s, which helped finance a significant proportion of development outlays. The turning point came after 1970, when Idi Amin seized power.

I have railed persistently about the scourge of the military in Africa as the bane of Africa's development. Africans should note what happens to an economy when the apparatus of the state falls in the hands of reckless military brutes. As the World Bank Mission to Uganda in 1982 observed:

> From the early 1970s, and especially following the change of government in 1971, the situation deteriorated abruptly. The adverse impact of developments under the military regime on the country's economy is of continuing concern. In particular,
>
> a. Many of the country's best administrators, managers, enterpreneurs, book-keepers, teachers, and traders left the country (including most of the Asian population during the so-called Aeconomic war@ of 1972);
>
> b. The parastatal sector, which had already been expanded during the early 1970s, became bloated with the addition of numerous abandoned or confiscated industries (others were given to inexperienced private owners). This whole process was undertaken in a haphazard and chaotic manner, with little concern for proper transfer of ownership, compensation and financial control and little regard for managerial constraints in the parastatal sector; and
>
> c. The administrative system, in both government and the parastatal sector, was increasingly geared to fear and favoritism. Many civil service and parastatals positions were filled by political appointees, and there was little reward for technical competence or scope for open discussion of economic strategy or policies. Fiscal responsibility was virtually non-existent, leading to widespread misuse of funds and corruption. (p.4)

The process actually began with the "Nakivubo Pronouncements" of 1970, in which the state sought 60 percent participation in a number of private industrial, commercial, and financial undertakings. The military regime initially toned down this policy, reducing the participation rate to 49 percent and the number of nationalized companies to 17, including banks, one of the oil companies and some manufacturing and mining companies. But the nationalization drive was revived during the "economic war" of 1972, spearheaded by Idi Amin.

The results of these asinine policies under Amin were stagnation of GDP from 1970 to 1978; a fall in the saving rate to 8 percent, deteriorating infrastructure, and the destruction of productive assets. Many agricultural processing units were closed down and equipment frequently broke down and was not fixed.

A war broke in late 1978 between Uganda and Tanzania that eventually led to the downfall of Idi Amin. Extensive damage was caused by artillery bombardment around Mbarara and Masaka in the southern part of Uganda. Though the war was brief, military rule took a devastating toll on the Ugandan economy. When the Commonwealth team of experts arrived in Uganda in mid 1979, the evidence of destruction and disintegration was everywhere. They found:

- Crops were damaged and livestock killed, either due to the direct impact of military activities or to provide food for the soldiers and marauders;
- Many houses, factories and public building were gutted or partially destroyed, especially around Mbarara and Masaka;
- School supplies, textbooks, and writing materials were looted;
- Food, clothes, and furniture were taken from shops and houses;
- Office records were lost or destroyed;
- Tools and equipment were taken from workshops; and
- Thousands of cars and trucks were stolen (World Bank Report on Uganda, 1982; p.8)

The war in Uganda imposed severe hardships and difficulties. These problems were not by themselves insurmountable and could be overcome with a stronger administration and resource base. But the World Bank mission was not optimistic. As it reported:

> The years of military regime had left the economy short of skilled manpower and foreign exchange, and the administrative system virtually collapsed. With such deep-rooted and pervasive problems, it would have been difficult for any government, with the best of intentions and support, to implement an effective rehabilitation program. In Uganda, where the government has changed four times during the last three years and where the security situation has remained unsettled, it is not surprising that initial progress was slow. (p.8)

Following the ouster of Idi Amin, international agencies held the first aid donors' meeting in Paris in November 1979 to help successive Ugandan governments rebuild their economy. In June 1981, the IMF agreed to a $197 million standby facility and after the first debt rescheduling in November 1981 at the Paris Club, Uganda came under IMF tutelage. The government of Milton Obote announced an economic recovery program for 1982-84, which concentrated on the main export sectors and pressing social needs. A further program was announced for 1983-1985, which covered more than 100 projects and gave more emphasis to industry. Unfortunately, Obote began an Idi Aminisque pogrom, sparking a rebel insurgency that led to his ouster by Yoweri Museveni in 1986.

In June 1987, the Museveni regime reached an agreement with the IMF, securing a 3-year Special Drawing Rights (SDR) 63.25 million structural adjustment facility.[3] The country began a comprehensive policy and institutional reform program to deregulate the economy, eliminate direct state involvement in most of the public services, institute a major privatization program, reform the civil service and embark on a public expenditure reform and a decentralization process.

Macroeconomic stability was achieved and maintained in the 1990s. Annual inflation rates dropped from 66 percent in 1986 to 15 percent in 1993 and below 5 percent per year for most of the second half of the 1990s. Interest rates fell from 240 percent in 1986 to 15 percent in 1993. Average income per capita rose from US$200 in 1990 to US$330 in 2000, a 65 percent increase. There was a significant reduction in the incidence of poverty from 56 percent of the total population in the 1992 to 35 percent in 2000. Between 1994 and 1997 Uganda posted a real GDP growth rate of 8 percent, the highest in Africa. In response to its reforms and performance, foreign aid poured in, amounting in 2000 to some 53 percent of the total government budget, or 13 percent of GDP. Uganda's macroeconomic performance showed an average real growth rate close to 7 percent per year, leading the Bank to declare Uganda as an economic success story in 1998.

Uganda is one of the few African countries which has been willing to embrace the stringent structural adjustment programs which the World Bank deems vital to restore fiscal discipline and monetary stability, and has been an important advocate for the World Bank's programs in Africa. Since 1987, the World Bank has provided an estimated $790 million in adjustment support, in addition to an estimated $1 billion in project support in the agriculture, infrastructure, and social sectors.

By African standards, Uganda has performed well and President Yoweri Museveni has made credible, serious, and committed efforts at reform. Unfortunately, dangers lurk behind the corner. First, Uganda's economic recovery is not sustainable as it is "aid-induced". Dependent on the international community for 55 percent of its budget, it is doubtful if the recovery can be sustained if the aid spigot is turned off. Second, massive coffee exports have been the prime engine of the country's economic growth. A fall in coffee prices could pose a serious threat to Uganda's recovery. Indeed, in 2000, coffee prices began to fall in international commodity markets. By May 2001, coffee prices had plummeted to a 20-year low and in 2004 remained at a 30-year low. The slump in prices reduced export income. In 1996, Uganda's export earnings from goods and non-factor services stood at $786 million. However, they fell to US$596 in 2000 (Bank of Uganda, 2001). Thus, Uganda's economic performance remains highly vulnerable to commodity price fluctuations.

Third, recent information indicate that fiscal discipline is slipping with government expenditures spiraling out of control — fed by huge expenditures for military adventures in the Congo. Contrary to efforts to implement measures for improving the efficiency and transparency of the privatization process, progress in this area was significantly slow, including measures for reforming the ministries and the civil service. Revenue receipts have been inadequate to meet rising expenditures. Indeed, tax collection has been characterized by highly corrupt and inefficient tax administration. The banking system also came under severe pressure due to weak prudential regulations and supervision. Those insolvent ones were ultimately closed. In an uncertain economic environment reflecting poverty, scant gains in human and social development, Uganda is now ravaged by the HIV/AIDS epidemic. Although President Museveni has earned high marks in the battle against HIV/AIDS, this has led to a reduction in life expectancy that has adversely affected the working population, and created a large number of orphans, as well as great pressure on the government's health budget.

Fourth, the decrepit political system could unravel the economic recovery. Uganda is a de facto "one-party state" with the political arena dominated by President Museveni's National Resistance Movement. Constitutionally, Ugandans can form any political party they wish but they cannot campaign nor hold rallies since it is illegal to assemble more than 6 persons for a political function. President Museveni, who declared in 1986 when he became president that no African leader should be in power for more than 10 years, was a different president in 2004. Rather strangely, he has tried to block or override a constitution clause that limits his tenure to two-terms. It is the same African disease encountered in Angola, Chad, Guinea, and Namibia, where incumbents seek to gut the two-term rule they themselves agreed to. But as Africans would say, "Power sweet them. Once they taste it they don't want to let go".

Fifth, progress on economic reform is in danger of being throttled by corruption, which has become a serious problem in Uganda and has penetrated all levels of society. A recent review by the opposition group, Uganda Debt Network (UDN), claimed that Uganda has been ranked among the most corrupt countries of the world and that 80 percent of business in Uganda pays a bribe before accessing a service. UDN further estimates that more than 1 trillion Ugandan *shillings* (equivalent to more than $700 million at current exchange rates) have been lost through corruption in government departments from 1984-1999 (*UDC Newsletter*, Jan 2003,; pp. 1-4). Indeed, studies by the Inspector General's office have revealed that the police, judiciary and health departments, are the most corrupt in the country. Public disgust and intolerance of corruption have been growing, fed by press reporting and parliamentary investigations. Although Uganda has taken steps to create anti-corruption agencies, there has been a lack of political will to provide adequate resources for these agencies to function effectively. As a result, corruption, especially in relation to privatization, continues almost completely unabated. In the year 2000, Transparency International ranked Uganda as the third most corrupt country in the world – a slippage since the country was ranked 12th in 1996.

President Yoweri Museveni has pledged to root out corruption but few believe him and to date only limited progress has been made. International donors expressed their strong collective concern about corruption in Uganda at the November 1997 Consultative Group meeting on Uganda held at World Bank offices in Paris. Almost all the delegates cited corruption as a serious impediment to Uganda's economic progress.

Hardest hit has been the privatization program — an important component of structural adjustment programs and often a pre-condition for loans from the World Bank and the IMF. In 1992, in accordance with loan conditionalities, the Government of Uganda began a privatization effort to sell-off 142 of its state-owned enterprises. However, in 1998, the process was halted twice by Uganda's own parliament because, according to the chair of a parliamentary select committee, Tom Omongole, it had been "derailed by corruption", implicating three senior ministers who had "political responsibility" (*The East African*, June 14, 1999. Web posted at www.allafrica.com). The sale of these 142 enterprises was initially projected to generate 900 billion Ugandan shillings or $500 million. However, by the autumn of 1999 the revenue balance was only 3.7 billion Ugandan *shillings*. This discrepancy occurred due to the government's mismanagement of the privatization process covering three parastatals: The Ugandan Commercial Bank, illegally bought by Museveni's brother; the Uganda Airlines Corporation; and Trans-Ocean.

Uganda Commercial Bank (UCB) was the largest bank in the country, controlling over 80 percent of the commercial banking market. It was sent into bankruptcy by brazen looting of the ruling clique. Senior members of the ruling National Resistance Movement (NRM) took huge loans worth over 62 billion shillings ($164.5 million), which were later declared as "bad debts". *The Monitor* (Oct 26-28, 1994) reported that "the names behind Uganda Commercial Bank's bad debts include some of the most famous and prominent politicians, soldiers, bankers and businessmen". The paper went on to reveal military officers collectively owed the bank at least Shs.281.25 million.

As noted in Chapter 5, the World Bank mission sent to Uganda in 1998 reported "widespread accusations of non-transparency, insider dealings and corruption", involving President Museveni's own brother, Major General Salim Saleh (World Bank, 1998). Cases of large-scale embezzlement documented in the World Bank report included the stealing of donor funds disbursed to the ministries of health and education and to the Ugandan Electoral Commission, as well as funds disbursed to projects aimed at helping alleviate poverty, but which were embezzled and never benefited the intended poor. The World Bank report specifically targeted Vice President Wandira Kazibwe, whose office is being investigated for the loss of 3.4 billion Ugandan *shillings* in a valley dam scheme which was paid for, but never constructed.

President Museveni himself, together with the presidents of Rwanda and Burundi, were directly accused by a United Nations' panel of taking advantage of the civil war in the Democratic Republic of Congo and engaging in systematic plunder of the country's mineral resources. The United Nations Panel of Experts on the Illegal Exploitation of Natural Resources and Other Forms of Wealth of Congo was set up in June 2000 and headed by Madam Safiatou Ba-N'Daw (from Cote d'Ivoire).

Its report, released in mid-April 2001, found "mass-scale looting" of stockpiled minerals, coffee, timber, livestock and money by the armies of Rwanda, Uganda and Burundi. Military and government officials then export the diamonds, gold, and a composite mineral called coltan to line their own pockets and enrich a network of shell companies owned by well-connected associates. The Panel said between September 1998 and August 1999, the occupied zones of Congo were drained of existing stockpiles of minerals, agricultural and forest products, including livestock. “Regardless of the looter, the pattern was the same. Burundian, Rwandan, Ugandan and/or Rally for Congolese Democracy (RCD) soldiers, commanded by an officer, visited farms, storage facilities, factories, banks, and demanded that the managers open the coffers and doors. The soldiers were then ordered to remove the relevant products and load them into vehicles” (*New African*, June 2001; p.4). When resource stockpiles were looted and exhausted by occupying forces and their allies, the exploitation evolved to an active extraction phase. The looting was facilitated by the administrative structures established by Uganda and Rwanda.

According to the Panel, “The Central Bank of Uganda has reportedly acknowledged to IMF officials that the volume of Ugandan gold exports does not reflect [the] country’s production levels but rather that some exports might be ‘leaking over the borders’ from Congo. The Central Bank reported that, by September 1997, Uganda had exported gold valued at $105m, compared with $60m in 1996 and $23m in 1995" (*New African*, June 2001; p.4). But the Panel found Uganda’s exports “suspicious” for many reasons: “(a) Uganda has no known diamond production; (b) Diamond exports from Uganda [began] only in the last few years, totaling $3 million, coinciding surprisingly with the occupation of eastern Congo; and (c) the need [for Uganda] to control the rich diamond zone near Kisangani and Banalia”. Uganda has also become an exporter of niobium, another mineral similar to coltan, but the Panel says Uganda had “no production [of niobium] prior to 1997”, coinciding with its presence in Congo.

The Panel contended that Rwandan authorities themselves admitted that the country “has no production of diamond, cobalt, zinc, manganese and uranium. Yet Rwanda has been exporting diamonds”. Rwanda’s production figures, according to the report, displayed some irregular patterns for gold and coltan starting from 1997. Rwanda took in at least $250 million in 18 months by exporting Congolese col-tan (*The Washington Post,* May 2, 2001; p.A18).

> "Key individual actors including top army commanders and businessmen on the one hand, and government structures on the other, have been the engines of this systematic and systemic exploitation”, said the report. President Yoweri Museveni of Uganda and Paul Kagame of Rwanda are, at the very least, politically involved, according to the panel of experts, which spent close to seven months in the region. The report, written by five experts, goes so far as to say the two leaders "are on the verge of becoming godfathers of the illegal exploitation of natural resources and the continuation of the conflict" (*The Washington Times,* April 17, 2001; p.A13).

On December 19, 2005, the International Court of Justice, the United Nation’s highest court, ruled that Uganda’s invasion of the Congo was unlawful and that Uganda must pay reparations for the plunder of Congo’s mineral resources:

> “The courts held Uganda responsible for killing, torture and cruel treatment of civilians in Congo and called the invasion an ‘unlawful military intervention.’
> The court dismissed Uganda’s claims of self-defense and, in a 16-1 ruling, denounced the Ugandan military for deploying child soldiers and inciting ethnic conflict as it rampaged through Congo’s Ituri’s province from August 1998 to July 1999.
> Although Uganda was primarily responsible, all sides were to blame for the ‘immense suffering of the Congolese people,’ the ruling said.
> A separate case brought by Congo against Rwanda is still pending at the world court. Congo withdrew its claims against Burundi after the two countries reached a settlement. The court also ruled that Congo must compensate Uganda for the destruction of the Ugandan Embassy in Kinshasa and for the mistreatment of its diplomats” (*The Washington Times,* Dec 22, 2005; p.A16).

Congo’s Information Minister, Henri Mova-Sakanyi had estimated damages from Uganda’s invasion

at $10 billion.

Zaire

Zaire's economic crisis emerged in 1974 and for four straight years its gross national product contracted by 16.8 percent. The worst year of the crisis was in 1978 when output was 17 percent below the level of 1974; the manufacturing sector was operating at about 40 percent of capacity; inflation rate (December 1977 to December 1978) averaged l00 percent; real wages and salaries were at one-fourth of the 1970 levels; and malnutrition was on the rise.

While external factors, such as the depressed level of copper prices and the closing of the Benguela Railway in November 1975, played a role, the principal causes of the crisis were internal: The heavy external borrowing, hastily conceived and poorly—implemented experiments of *zairianization* and "radicalization" deficiencies in management of the economy, misallocation of the country's resources and the pervasiveness of corruption.

By far, however, the most significant factor in the causation of the Zairean crisis was the *zairianization* or nationalization measures of 1973-74. It needs to be borne in mind that, around this time, Nigeria and Ghana were also pursuing the same "indigenization" programs (See for example Nigeria's Indigenization Decree of 1972 and Busia's Ghanaianization Law of 1970).

In Zaire, the state took over a wide variety of businesses, including the small trading and transport firms, which constituted the lifeline of the rural areas. In manufacturing, however, the impact of *zairianization* was somewhat mitigated by the fact that the state did not take over the large firms but restricted their retail outlets. As the World Bank Mission to Zaire in 1979 reported:

> *Zairianization* led in many instances to the destruction or dispersion of the capital stock, as many plantations were abandoned by the new owners after selling their newly acquired assets (trucks and other movable equipment); it disrupted marketing by causing an exodus of small expatriate intermediaries who traditionally played a vital role in the distribution of inputs and consumer goods as well as in the collection and commercialization of farm output. To take one example, the decline in palm oil production of about 30 percent between 1974 and 1978 is attributable in part to the negative effects that *zairianization* had on the output of small plantations, which had been significant as a group. (Report on Zaire; p.15, paragraph 26)

The brunt of the nationalization measures were borne by the manufacturing sector, including agro-industry. Sixty-two firms in 11 of 12 manufacturing sector branches—which accounted for about two-thirds of total sector sales—were nationalized. A large number of firms in the commercial and construction sectors were also affected. Although nationalization had a widely varying impact on individual enterprises, it produced a generalized effect on the working environment by causing a progressive attrition of expatriate managerial and technical staff, abrupt changes in commercial (supplier-client) relationships, and severed or significantly altered relations with former foreign parent companies.

The World Bank (1979) concluded that:

> The most adverse effects of the *zairianization*/nationalization measures, however, were perhaps the neglect of maintenance and repair, the discouragement of private investment by either foreigners or nationals, and pervasive financial mismanagement. This has been widely recognized by the Zairian authorities; nationalization was a reaction to the failure of *zairianization*; and retrocession a reaction to the failure of nationalization" (Report on Zaire; p.15).

Living standards deteriorated. Income per capita dropped from $210 at the time of independence to $160 in 1988 (World Development Report, 1988). A 1980 official Trade Union Enquiry revealed that 1,061 *zaires* (about $235) a month were needed for a diet that would barely keep the body and soul together for a typical urban family. The average wage in June 1981 was 23 *zaires* per month, which was worthless in the face of inflation raging at 85 percent. Even the professional class was suffering. Medical doctors, for example, were getting between 500 and 800 *zaires* a month in 1982.

Social conditions were deteriorating alarmingly. At Mama Yemo General Hospital (named for Mobutu's mother) unattended patients were dying because there were no bandages, no sterilization equipment, no oxygen and no film for x-ray machines. The dead often remained in the intensive care unit for hours before being removed because there was no room for extra bodies in the morgue (Lamb, 1985). One-third of infants died before the age of five.

Health clinic's at the university campuses in Kinshasa and Lumumbashi had to shut down because the medicines intended for use there had been diverted to the black markets. Agricultural produce destined for market often rotted on the ground because the transportation system had broken down. The government news agency closed down for lack of paper, and two of Air Zaire's planes (a Boeing 747 and a Douglas DC-10) were repossessed. What happened?

Part of the suffering of Zairians emanated from the collapse of the copper market in the late 1970s and early 1980s. Copper, which accounts for some 60 percent of Zaire's foreign exchange earnings, experienced overcapacity and increasing competition from optical fibers (which can replace copper in some applications, such as underground telephone cables). Another part of Zaire's woes stemmed from the civil war that raged through the Shaba province in 1977 and 1978. But the predominant cause was the egregious system of government instituted in Zaire: kleptocracy — government by armed looters.

Presiding over an empire of graft and venality, President Mobutu himself boasted on the TV program CBS 60 Minutes 1984, that he was the second-richest man in the whole world. Together with his close family and friends, Mobutu owned more than 26 expensive properties including, a 32-room mansion in Switzerland, a 16th-century castle in Spain, a huge vineyard in Portugal, and an estate in the Ivory Coast. At home, he had 11 palaces, including one on the northern border in his ancestral village of Gbadolite, known as the Versailes in the Jungle, where liveried waiters serve pickled quail tongues and chilled French wines.

The top group that ruled Zaire, the Gang of Five, were Mobutu, Litho Moboti, his uncle, Seti Yale, his security adviser; General Bolozi Gbudu, head of military intelligence (and married to two of Mobutu's relations); and Moleka Liboko, his nephew and a businessman. They all came from two clans originating from Mobutu's father's village, Gbandolite (the Gbande tribe) on the northern Ubangi River in Equateur province.

Zaire in the late 1970s was receiving nearly half of all the aid money the Jimmy Carter administration allocated for black Africa. But that aid failed to improve conditions. "Of every dollar coming into Zaire, whether in the form of foreign aid or a business contract, Zairian officials reportedly took twenty cents off for their personal cut. In 1977, Zaire's coffee crop was valued at $400 million. Only $120 million made it to Zaire's treasury" (Lamb, 1985). Meanwhile, Mobutu strutted about the world stage while his African people starved. Slowly but steadily, Zaireans watched helplessly as their hopes and future were squandered by the Gang of Five.

In 1997, Zaire imploded. President-for-life Mobutu Sese Seko was driven out of office by a rebel insurgency, led by Laurent Kabila. Mobutu died in exile in Morocco. But as Africans would say: AWe remove one coconut and the next coconut comes to do the same thing!@ A year and half later, Kabila faced a rebel insurgency himself—just like Charles Taylor of Liberia, who himself led an insurgency to remove General Samuel Doe from office. The insurgency against Kabila drew in the armies of Angola, Namibia, Chad, and Zimbabwe, supporting the Kabila government, and the armies of Uganda and Rwanda, supporting the rebels. This plunged Zaire (now renamed the Democratic Republic of the Congo) into yet another orgy of violence and war that claimed more than 3.5 million lives.

Zimbabwe

Upon independence in 1980, President Robert Mugabe openly stated his determination to make Zimbabwe a one-party nation and his Zimbabwe African National Union (ZANU) party "a truly Marxist-Leninist party to ensure the charting of an irreversible social course and create a socialist ideology". Indeed, in December 1982 all 57 ministers and deputy ministers in Mugabe's cabinet arrived at the Harare airport to greet visiting Ethiopian leader Mengistu Haile Mariam—black Africa's archapostle of Marxism-Leninism. Inheriting an economy that was hobbled by racial inequalities under the former white-minority regime, there was a strong need for statism, to correct injustices committed by white colonialists.

At independence, Zimbabwe had the most broad-based economy in Africa. It had an iron and steel industry and a diversified industrial infrastructure, which was meticulously built by the racist Ian Smith regime to ensure self-sufficiency after the imposition of sanctions following the Unilateral Declaration of Independence (UDI) from Britain in 1965. Its mining, chemical and construction industries were relatively advanced technologically. But ownership and control of industries and the economy laid in the hands of white settlers.

After independence, Mugabe did not embark upon any program of wholesale expropriation and nationalization. In December 1982, the Mugabe government introduced a Transitional National Development Plan 1982-83 to 1984-85. The strategy was for growth, equity, and transformation. The private sector, dominated by white settlers, was to continue to function but with increased state control and participation. For example, shortly after independence in 1980, the Zimbabwe Mass Media Trust was set up to buy out the country's five main newspapers. Mugabe argued that the newspapers were owned by the South African Argus newspaper group and that the news was racially biased. Nathan Shamuyarira, the minister of information, declared that the purchase was motivated with a "view to getting the right news through to the consumer”. Who could challenge that objective? But as in Nkrumah's Ghana, each repressive measure in Zimbabwe was dressed in either anti-colonialist or antiracist garb. In 1981 the editor of the *Umtali Post* was dismissed on Mugabe's order after she raised questions about the presence of North Korean military instructors in the country. Nor could journalists or even members of parliament investigate allegations of corruption in high echelons of the government.

As elsewhere in Africa, the socialism introduced by Mugabe was of the ASwiss bank@ variety that allowed him and a brigade of kleptocrats to rape and plunder the treasury for deposit in overseas bank accounts. It became evident that Mugabe and his lieutenants were a determined bunch of bandits who had wrapped themselves in socialist garb. Less than two years after independence, a wave of corruption scandals began to sweep the country. For example, at the Ministry of Education phantom teachers were added to the government payroll, and their salaries were collected by teachers already on the payroll. *New African* (Dec 1987) reported the extent of the corruption:

> Civil servants at all levels, workers in parastatals and private organizations and bank tellers have been appearing in court with monotonous regularity for dipping their hands in the kitty. Government critics point fingers at the leadership of the country for the malaise saying that a lot of Ministers are the ones, who, through their "get rich quick" tendencies started the "each one for himself and God for us all" survival syndrome. The critics point to the massive wealth which many Ministers have amassed in the seven short years of independence. It is a common secret that several leaders have thrown the country's avowed policy of socialism to the winds and have used their positions to acquire wealth in the form of hotels, houses for rent, ranches, farms, buses and stores. (Dec 1987; p.58)

As early as 1982, Edgar Tekere, a maverick and also a nationalist who fought alongside Mugabe for Zimbabwe's independence, decided to fight against this incipient "Swiss bank" socialism. He declared: "We all came from Mozambique with nothing; not even a teaspoon. But today, in less than two years, you hear that so-and-so owns so many farms, a chain of hotels and his father owns a fleet of buses. Where did all that money come from in such a short period? Isn't it from the very public funds they are entrusted to administer?" (*New African,* March 1989; p.21) University students also protested, saying that Zimbabwe's revolutionary heroes had been betrayed by corrupt and ideologically bankrupt leaders (*New African* Dec 1988; p. 23).

According to *The Zimbabwe Independent* (April 27, 1999):

> The 1999 Zimbabwe Human Development Report (funded by the UN Development Program) is eloquent on the straits to which the Mugabe regime has reduced Zimbabwe, hitherto one of Africa’s richest and most developed countries. Per capita income has fallen back to what it was a generation or more ago and the grotesque appropriation of wealth by the governing elite—every minister is rich and most are at least US dollar millionaires— has produced one of the most unequal societies in the world. Poverty is increasing rapidly: 61 percent of the population is now below the poverty line.

Zimbabweans are now suffering rapid declines in health and life expectancy. (p.22)

The myriad of state controls and regulations imposed by the Mugabe regime created a gold mine of opportunities for illicit enrichment by government bureaucrats and cronies. As noted in the previous sections, state controls create artificial shortages and rent-seeking activities. In the early 1980s, such an activity erupted into a scandal that drew much attention.

At that time, Zimbabwe had only one car assembly plant, Willowvalle Motor Industries in Harare. Owing to a shortage of foreign exchange created by a combination of import, export, and exchange controls as well as the refusal of Mugabe to deal with apartheid South Africa, a chronic shortage of vehicles developed. Ration coupons or chits were issued by the government to allocate scarce vehicles. But some government officials used their positions to gain access to an inordinate number of chits. They then used their excessive allocation of chits to purchase automobiles and later resold them on the black market at three times their purchase price—*kalabule* in Ghana.

Mugabe's statist, Marxist-Leninist policies failed to improve the lot of the people, whose economic welfare progressively deteriorated. By 1989, people were already fed up with Mugabe. On Africa Day, Aonly about 8,000 people went to listen to President Mugabe deliver a speech at Rufaro Stadium in Harare. Within hours after the stadium was cleared, 40,000 people paid to watch soccer at the same stadium. People have reasons to be apathetic. They complain of high taxation, unemployment, corruption among government and party officials and price hikes" (*New African* Dec 1989; p.20).

The economy declined progressively. Corn production dropped sharply from 2 million tons in 1981 to 620,000 in 1983. Zimbabwe, once a food exporter, was rapidly becoming a food importer. Shortages of commodities and foreign exchange were becoming rampant. "The cost of living has risen astronomically since independence in 1980. Inflation is running around 20 percent per annum and most people are having to dig deeper into their pockets to survive" (*New African* Dec 1987; p.58). The unemployment rate was 50 percent in the urban job market in 1989 and corruption was getting worse. By 1999, things had gotten progressively worse.

According to the *Zimbabwe Independent* (April 27, 1999):

> There is no *mealie* meal **B** the staple diet **B** in the shops, apparently because of foul-ups by the government marketing board. Every day the government promises that mealie meal will soon be in the shops. Meanwhile bread, rice, potatoes and other substitutes are also sold out. Inflation is running at 47 percent and shopkeepers, unsure what will happen to the currency next or that today's takings will buy tomorrow's supplies, often opt for pre-emptive price increases. With interest rates at 55 percent car sales have halved (causing job losses in the country's Mazda assembly plant) and the property market has frozen solid. (p.25)

By 1999, the Zimbabwean state had effectively ceased to function. Desperate for revenue, the government not only imposed stiff hospital fees that many could not afford but also sacked all the nurses. Of the country's 16 district hospitals, 5 were still lying idle in 1999, two years after being built, due to lack of medical staff. The parastatal oil company, NOCZIM, looted by its managers, ran up a debt of Z$4 billion. In 1999, the department of social welfare announced that it lacked transport to ship grain to 54,000 starving families in the Guruve district. "No-bid government contracts, such as the one to renovate Harare's international airport, were awarded to Mugabe's nephew and other relatives" (*The Washington Post*, May 5, 2000; p. A23).

In 1990, subsidies to Zimbabwe's parastatals amounted to 6.9 percent of total recurrent expenditure or 34.5 percent of the budget deficit. This was aggravated by a phenomenal expansion of the civil service (bureaucracy) after independence in 1980. There were 62,035 total civil servants in 1980, in 1989 the total came to 181,402 (Five-Year Development Plan, 1990-1995).

The state-owned Air Zimbabwe was long plagued by Mugabe's habit of commandeering its planes and kicking off passengers whenever he wanted to go on one of his frequent trips with his wife, Grace. Her enormous mansion in Borrowdale was built on land bought from the state for less than a seventh of its commercial value (*The Zimbabwe Independent,* April 27, 1999; p.25).

Zimbabwe Mining Development Corporation (ZMDC) was set up through an act of Parliament of 1982 to develop mines owned by the state. It was hoped that the parastatal would grow its portfolio, generate foreign exchange, and create jobs. Given that the mining sector accounted for about 5 percent of the gross domestic product (GDP), it was assumed that state participation in the industry was only logical and strategic. But ZMDC never lived up to expectations. According to the state-owned *The Herald* (January 22, 2003),

Its holdings shrank from over 10 mines to the three in 2003: Elvington Mine, Sabi Gold Mine and Jena Mines, which were bought from Trillion Resources of Canada. Two of ZMDC's flagships, Kamativi Tin Mine and Mhangura Copper Mines (MCM) closed in 1994 and 2001 respectively. ZMDC has also disposed of Bar 20 to Forbes and Thompson mines and is no longer operating Merits Limited, Peneast Mining Company and KY Refractories.

The situation at the remaining mines became precarious. Sabi ceased operations and teetered on the verge of collapse. It owed Trust Bank $618 million and required at least $Z1.2 billion to pay off the debt and exploit the mineral resources at the mine.

Workers at ZMDC alleged that management had been left to run down the parastatal. They cited favoritism and profligacy as contributory factors to the poor performance of ZMDC. But ZMDC chief executive Isaiah Ruzengwe denied the allegations: "None of ZMDC mines were closed because of mismanagement. In fact, a government institution can never be closed because of mismanagement because Government will act to remove that management and replace it and examples are galore in Zimbabwe", (*The Herald* Jan 22, 2003). The chief executive perhaps needed brain surgery.

According to *The Zimbabwe Independent*, (April 27, 1999):

Given the government's spendthrift ways, its steady refusal to slim down the bloated patronage state administration and the elite's determination to steal everything that is not nailed down and quite a bit that is, the result has been to deliver Zimbabwe into the hands of the IMF/World Bank. Ministers bilk on whatever bills they can, the infrastructure falls to bits before one's eyes and the state searches ever more desperately for revenue. School fees have been pushed up to the point where many parents are having to take their children out of school and illiteracy is increasing for the first time in a century. (p.25)

Mugabe angrily rejected the criticism of those who blamed the government for Zimbabwe's economic crisis. It was, he said, the fault of greedy Western powers, the IMF, the Asian financial crisis and the drought (*Zimbabwe Independent* April 27, 1999; p.26). Naturally.

EGYPT

The tale of gross inefficiency, profligacy, and mismanagement can be recounted in one state enterprise after another in the postcolonial period. The experience of Egypt was even more dramatic. Back in 1993, foreign investors took one good look at Egypt and drew a loud yawn. Its economy was suffocating under a leviathan bureaucracy. Inefficiencies at state enterprises were titanic, illustrated by the case of Pyramid Beverage Co., which produced the country's flagship beer, Stella. Its reputation quickly became legendary. Beer drinkers in Cairo soon learned to inspect each bottle before they purchased the product because many arrive on store shelves flat or half full. An occasional bean has been seen floating in an unopened bottle of Stella. Pyramid Beverage was founded in 1897 by Heineken Co, the giant Dutch brewery, but was nationalized under Gamal Abdel Nasser's version of "Arab socialism" in 1961.

In 1993, the Egyptian government hosted a delegation from Heineken to see if it was interested in buying back Pyramid Beverages. After inspecting the factory, the delegation said: Thanks but no thanks. And to add insult to injury, they informed the government that they would rather invest their money in Latin America and South Africa, according to Adeeb Mena, who then headed the commercial section of Pyramids Beverage.

"It was very humiliating", said Hamad Fahmy, chairman of the government holding company that owned the brewery *(The Washington Post* May 8, 1996; p.A27).

The factory was in a sordid state: antiquated equipment, factory grounds filthy with heaped trash and with paint flaking from the ceilings. The work force was bloated. The company employed 3,000 workers, about 10 times the number Heineken estimated was needed to produce the same quantity.

The Egyptian government cleverly changed the name of the brewery to Al Ahram Beverages Co. Still, there were no takers. An attempt to sell 10 percent of the shares in 1996 flopped badly.

Another foreign company, Owens Corning, which sent a group of executives to Egypt in 1993, reached a similar conclusion: Egypt was not yet ready. Company executives could not even get a firm date for a meeting with the Egyptian government commission that was supposed to approve their investment.

Though Egypt had agreed with the World Bank and IMF on an ambitious economic restructuring program to privatize moribund state-owned enterprises, and curb inflation, and budget deficits, reform was proceeding at a glacial pace. From 1992 to 1995, only three of its 314 public-sector companies were sold to private investors. Analysts pointed to the huge resistance to privatization from public-sector managers and workers that had to be contended with. Even within the government circles, there were many who believed privatization amounted to selling off the nation's assets too cheaply to foreign interests. At one point the IMF became so frustrated at the pace of reform that it suspended its loan program to Egypt.

In 1997, Al-Ahram Beverages was sold to Luxor Group and has gone through further restructuring that has resulted in better-quality products and wider distribution. Sales were up 13 percent to 168 million Egyptian pounds ($49.3 million) in the year ending June 1998, while net income rose 25 percent to 67.6 million pounds (*Wall Street Journal* Jan 12, 1999; p.A19).

Shaking off decades of "socialist hang-over" has been tough. Overstaffing in Egyptian companies still remains a problem. State enterprises were often employment mills for party faithfuls and there was the tendency to pad pay rolls. Though pay scales were meagre, state workers often enjoyed free medical care and subsidized housing and transportation. "The public sector is better than the private sector", said Abdel Ghani Azouz, 43, a fermentation worker at Pyramid Beverages Co. in 1994 (*The Washington Post* May 8, 1996; p. A29).

Nigeria

Nigeria differed from other African states in three respects: a large population, a federal constitution, and a major gold-strike in the form of oil and economic liberalism. It eschewed doctrinaire socialism and adopted federalism at independence in 1960. But, as Fieldhouse (1986) noted, ALagos, exactly like Accra, aimed to concentrate the largest possible share of the national product in its own hands, to expand the public sector and to develop import-substitution industry by means of tariffs, import licensing and other stimuli@ (p.151).

Soon after independence, federalism ran into problems, which originated from two key pieces of legislation. The first was the 1951 Macpherson Constitution. This replaced the 1947 Richards Constitution, which created three houses of assembly for the three different regions: the North, the East, and the West. The new Macpherson Constitution set up a House of Representatives and a Council of Ministers at the center. The ostensible reason was to secure a more unified government. But it came at a crushing political cost, concentrating enormous powers in the hands of the federal government. The military, dominated by the northern Hausa, captured and monopolized the state for 29 out of the 39 years of Nigeria's independence, until civilian rule was ushered in 1999.

The second was a 1970 law that in effect gave all mineral rights in Nigeria to the federal government. Revenues were then, in theory, distributed throughout the country. With the discovery of oil in the early 1970s, much oil revenue flowed into government coffers, accounting for more than 80 percent of government revenue. The states could not raise their own revenues, but had to rely upon handouts from the central pot, the amount of which corresponded to the population in the states. Because of this set-up, there has always been a dispute over population censuses. Fierce competition inevitably developed among politicians, organizations, state governments, and the various ethnic groups to capture the central pot or at least gain access to it. Politics has often been seen as a way of gaining access to fantastic wealth. Much time is wasted over how to share the spoils of office. This often stirred ethnic chauvinism. The group that dominated the administration handed out the best jobs and contracts to its friends and kinsmen. The ethnic minnows left out clamored for their own states and even threatened secession (the Biafran War of 1967). New states were created for some: 7 in 1976, 2 more in 1987, and 9 in 1993. By 2003, the number of states had reached 36. The Ogoni in the Niger Delta are the latest clamoring for their own state. Their grievances are real. They sit on top of billions of dollars of oil reserves. But "we get no benefit from it, absolutely none", complained Chief Edward Kobani, a senior elder of the Ogoni. Nor was revenue from Nigeria's immense mineral wealth used to lift the people out of poverty.

With the huge influx of oil money, Nigeria's governments embarked upon extravagant public projects. This created other strong constituencies to lobby aggressively for budgetary allocations. The state expanded public expenditure programs enormously to provide social services and utilities. Primary education was made free and mandatory, which created a huge market for the construction of school building and provision of textbooks through the state, thus creating the conditions under which influence-peddling, bribery, and corruption flourished.

Though Nigeria's industrialization policy began in the mid-1950s, the major state-support system began after 1960, and gained further impetus with the discovery of oil. The industrialization policy, based upon import-substitution, was largely driven by emotional, nationalistic goals. From the colonial period to the early 1960s, most of the industrial investment was by foreign firms, so that, in 1963, 68 percent of the ownership of large-scale industry was foreign (Fieldhouse 1986; p.152). Accordingly, in the 1970s, Nigeria increasingly adopted a policy of Aindigenization@ B as did many other African countries, such as Ghana, Zaire, and Zimbabwe. Certain sections of the Nigerian economy were reserved exclusively for Nigerians.

The state apparatus was utilized ostensibly to protect Nigerians from foreign exploitation. The First Development Plan (1962-68) called for economic independence and stated that indigenous businessmen should control an increasing portion of the Nigerian economy. The 1963 Immigration Act and the government's 1964 statement on industrial policy, when taken together, were designed to encourage personnel, equity, and local-content indigenization (Biersteker 1987; p.71). In 1966, an Expatriate Allocation Board was created in part because of a large influx of Lebanese and Indian merchants engaged in both wholesale and retail sales of textiles goods in the Lagos trading area.

In April, 1971, the state acquired 40 percent of the largest commercial banks and the Nigerian National Oil Company (NNOC) was established with the government keeping majority participation. In 1975, the government acquired 55 percent of the petroleum industry and 40 percent of National Insurance Company of Nigeria (NICON). The following year, the acquisition was extended to other insurance companies when the government took 49 percent of their shares. Heavy industry, and manufacturing, such as gas liquefaction, iron and steel making, petrochemicals, and fertilizers, were to be held by the state. The Nigerian Enterprise Promotion Decree of 1972 ordered foreign businesses in a number of specified fields to transfer part or all of their equity to private Nigerian investors or businessmen. Twenty-two activities were scheduled to become the preserve of Nigerian nationals, and another 33 foreign enterprises were to be excluded from foreign participation unless above a specified size and with at least 40 percent Nigerian ownership of the equity (Fieldhouse, 1986; p.153).

The restrictions were extended in 1977 to cover both the range of manufacturing and proportion of equity. Nigerians were to hold 40 percent equity in all unlisted enterprises. To achieve this goal, oil money was funneled through state credit agencies to state holding companies and favored individuals. Schemes were started to provide credit and facilities to small-scale Nigerian entrepreneurs. The Approved Manufacturers Scheme, begun in 1955, was expanded to provide industrial estates to would-be manufacturers with little capital.

Although manufacturing output and the number employed in manufacturing did increase, it came at great economic and social cost. Graft, corruption, and political patronage ensured that much of the oil money was frittered away on prestigious projects—motorways, Ajaokuta steel mills, inefficient state enterprises, luxury imports—from aircraft engines to Mercedes Benzes. One business tycoon impatient for the delivery of his Rolls Royce had it air freighted!

Most of Nigeria's state enterprises are triumphs of towering inefficiency, producing well below their installed capacity. For example, if a factory could produce 100,000 electric bulbs a month (its capacity) and produced only 10,000 bulbs, it was utilizing only 10 percent of its capacity. Now, consider the rate of capacity utilization of a random selection from the Central Bank's 1992 annual report: Nigerian machine tools, 8 percent; Nigerian paper mill, Jebba, 12.1 percent; Nigerian Newsprint Manufacturing

Company, 13.3 percent; Jukura Marble Plant, 1 percent; the Nigerian Sugar Company, an impressive 72 percent. The Nigerian National Paper Manufacturing Company did not make anything at all: "construction work which started in 1977 was yet to be completed due to lack of funds" (*The Economist* Aug 21, 1993, survey p.9). Two of Nigeria's Airbuses were impounded in 1988 by the French company Sorgema for nonpayment of debt. In March, Aer Lingus of Ireland impounded spare parts, worth about $20 million, which were stored in Dublin, "because of the airline's (Nigeria Airways') failure to pay for the maintenance of its fleet of Boeing 707 aircraft" (*West Africa* March 20-26, 1989; p.454).

Rather strangely, Nigeria chose highly capital-intensive techniques for its state enterprises. Initial estimates placed the capital costs of the Aluminum Smelter at Ikot Abasi in Nigeria at $1.2 billion, making this project 60 percent more costly than comparable projects elsewhere in the world. The government had already expended $450 million by early 1991 (World Bank, 1994; p.251). Then the Nigerian government built a six-vehicle assembly plant that was largely dependent on imported materials. The range of models produced was so wide that production runs were extremely short; the multiplication of plants also ensured that all operated at very low levels in capacity. As a result, some recorded a negative value-added in manufacturing: Just the costs of assembly in Nigeria were in excess of the cost of importing a fully-built vehicle from overseas (Chazan et al. 1992; p.255).

The rest of the oil money was squandered by corrupt politicians and military bandits in hideous displays of wealth amid appalling poverty and squalor. A recent World Bank study reckoned that capital flight during the 1980s reached $50 billion. "Over 3,000 Nigerians have Swiss bank accounts", lamented the Christian Association of Nigeria. Army chiefs parked Macerates and even Lamborghinis outside plush government villas while their children attended expensive schools in Britain.

Riding high on an oil boom, the government of Shehu Shagari decided to build a new capital at Abuja, about 30 miles northeast of Lagos, at an estimated cost of $16 billion. Never mind that millions of Nigerians in the slums of Lagos lacked running water, medical care, and educational facilities. Eventually, the cost of the capital soared to $25 billion—officially. Unofficially, most critics believe it was more than double that. But such frivolous extravagance was not unique to Nigeria alone. President El Hadj Omar Bongo of Gabon, an oil-producing country with a foreign debt of $l billion, built a $27 million conference center with a facade of imported Italian marble just in time for the 1977 summit meeting of the Organization of African Unity in the capital of Libreville (*Time* Jan 16, 1984; p.28).

Thus, in Nigeria, as in Ghana, Athe record of public policy as an instrument of economic development was very poor. Industry was extremely inefficient. Agriculture experienced virtually no growth@ (Fieldhouse, 1986; p.159). The increase in national income, occasioned by the higher oil prices and larger volumes of oil exports, was partly absorbed by a state apparatus that was increasingly politicized and linked to private interests and partly squandered on import-substitution industrialization, involving huge investments with little return. In July 1999, the new Nigerian president Olusegun Obasanjo announced a new privatization program. He lambasted Nigeria's large public sector, where some of the more than 1,000 state-owned enterprises have been losing millions of dollars annually. AState enterprises,@ he declared, Asuffer from fundamental problems of defective capital structure, excessive bureaucratic control or intervention, inappropriate technology, gross incompetence and mismanagement, blatant corruption and crippling complacency@ (*UN Recovery,* April 2000; p.8).

The supreme irony of Nigeria's economic development is that, despite the flow of substantial oil wealth, the country entered the new millennium with real income per capita about the same as it was at independence in 1960 and heavily burdened by debt. The drop was more dramatic in the 1980s. In 1980, income per capita stood at $1029—the fifth highest in Sub-Saharan Africa. By 1990, it had dropped to a woeful $266. This sharp decline in economic performance was not due to external economic adversities. In fact, between 1970 and the early 1980s, when oil prices collapsed, $100 billion in oil money flowed into Nigerian government coffers. On top of this, Nigeria accumulated a $35 billion foreign debt.

Senegal

The posture of francophone African states after independence was somewhat bizarre and paradoxical. Having won political independence, they yearned for economic sovereignty; yet French commercial influence was dominant and pervasive. In Senegal, Leopold Senghor, who assumed the presidency upon independence in 1960, was socialist-oriented. President Senghor maintained in most essentials an open economy and trade. At the political level, however, his ruling party, *Union Progressiste Senegalaise (UPS)*, Amonopolized power, with Senghor, as president, the sole focus of decision-making. The party took control of all organs of government, politicizing the bureaucracy at all levels. The bureaucracy, already large, grew substantially@ (Fieldhouse 1986; p.213). A substantial portion of state revenue went to feed political and administrative elite that had grown accustomed to a French standard of living.

Though Senghor's ideological orientation was socialism and ANegritude,@ there was hardly any direct state involvement in economic life. The state's main economic function consisted in controlling credit and banking. *Banque Nationale de Developpement* and *Union Senegalaise de Banque* were established in the 1960s and the state invested in some new industrial ventures, such as the industrial free zone, the naval repair base, a petro-chemical complex, and tourist facilities. The bulk of the industrial enterprises were left to the French.

Senghor supported French international policies in exchange for economic aid, military support, and a favored position for Senegalese products on the French market. Senegal's export economy has always been monoculture: the cultivation of groundnuts. By supporting the price of this commodity above world prices until 1967, France reinforced this overdependence on a single crop and did not help to diversify agriculture. It was in this sector that the state was most directly involved.

Direct state involvement in groundnut production stemmed from the need to free the peasant producer from domination by the largely French trading companies, which previously marketed more than 50 percent of the groundnut crop, distributed over 75 percent of imported food and manufactures, sold to peasants, and provided much of the credit, along with Lebanese and African middlemen; for the production system. Although Senegal had no marketing boards, as in Anglophone Africa, a stabilization fund was set up in 1958 to even out fluctuations in market prices, and *Societies de Prevoyance* an alternative cooperative means of marketing produce was established with the aim of creating a system of rural cooperatives. *Societies de Prevoyance* would not only control the buying of the groundnut crop but also dispense credit and disseminate technical knowledge. But to carry out this scheme, a very complex bureaucratic machinery was set up — of course — upon the advice of the ever-indispensable French advisors in Dakar. Thus,

> Control of all sales of groundnuts was vested in an *Office de Commercialisation Agricole (OCA)*, which had a monopoly of buying from the co-operatives and at first the remaining private buyers. OCA would then sell either to the processing companies in Senegal or to importers of groundnuts in France. To promote agricultural improvement, *Centres Regionaux de l'Assistance au Developpement (CRADs)* were established, provided with finance for credit by the new *Banque Senegalaise de Developpement (BSD)*, later by *Banque Nationale de Developpement Senegalaise (BNDS)*. The co-operatives were supervised by the *Service de la Cooperation (SC)*, part of the Ministry of Rural Economy.(Fieldhouse, 1986; p.215)

Clearly, the structure was highly bureaucratic and centralized. Bureaucratic incompetence resulted in widespread cases of embezzlement, financial chaos, shortages of agricultural inputs, food, and trade goods, with wide variations in prices. These reinforced rural economic inequalities and enabled the local co-operative officials to enrich themselves (Samoun, 2000; p.28). In fact, "The state apparatus became one of direct exploitation of the peasantry. The co operatives organized the rural world and the state appropriated the surplus" (Cruise O'Brien, 1981; p.287). Senegalese farmers revolted, threatening the political stability as well as the interests of the civil servants and the French capitalists. To quell the growing revolt, Senegal asked the European Union for a grant to cover the peasantry's debt — a request that was supported by France (Cruise O'Brien 1981; p.287). Groundnut producers did not benefit either from the end of private marketing or the creation of a state monopoly with related development services.

When the Senegalese state opted for industrialization through import substitution, its special relationship with France created a problem. The share of private Senegalese capital in the domestic ownership of industry was a tiny 3 percent (Fieldhouse, 1986; p.224). The preponderance of French- and

Lebanese-owned industry made it difficult even for the most enterprising Senegalese to find a niche in industry, except in the Ainformal sector.@ Thus, while some modest industrialization and expansion was achieved, it furthered the interests of French companies. Private and public French capital was favored over local private or public investment in the creation of infant industries that were supposed to lead the development of the local economy. A contradiction soon became apparent—attempting to achieve economic independence while allowing unrestricted penetration of French capital.

Ivory Coast

Similarly in Ivory Coast, French economic interests shaped the country's industrialization program. Upon independence in 1960, President Felix Houphouet-Boigny chose to maintain the existing close relationship with France. Known as Le Vieux, Houphouet-Boigny ruled single-handedly for 30 years, until November 1990 when he was forced by popular demand to appoint a prime minister. Under his leadership Ivory Coast was a one-party state led by the *Partie Democratique de Cote d'Ivoire (PDCI),* the sole legal party, which ruled for 39 years from 1960 to 1999.

Houphouet-Boigny proscribed opposition parties with the constant refrain Athat his life was under threat from opposition figures working in collusion with juju-men and their gris-gris@ (*West Africa*, July 13-19, 1992; p.1171). He took responsibility for all policy decisions. The press was tightly controlled by the government and faithfully reflected the party line. All civil servants were party members.

For 40 years after independence, Ivory Coast was characterized by a continuous "coup d'etat" — by a small minority who managed to control the political and the economic power, who became a rentier class and whose interests were protected by the French state (Leymarie, 2000, web posted). The development of the economy was aimed toward serving the needs of the entrepreneurial farmers allied to French big business. Accordingly, European presence expanded tremendously in the postcolonial period. Gradually, however, the new African government began to expand its power over the economy. It took an increasingly active role in the allocation of resources and the redistribution of wealth. In 1970, the government implemented a five-year national plan that affirmed the government's desire to become more actively involved in the allocation of resources.

The central government began to invest in prestigious but inefficient projects, such as the creation of a new capital city and large hydroelectric plants. These projects were financed largely by annual World Bank loans, which did not require that the projects make a financial return. Rather, investment in these projects assured the central government of a steady flow of capital and the employment of a loyal cadre of followers. It was widely known that much of the loans were being squandered, yet the foreign bank loans poured in. Ivory Coast's public long-term debt was $4.7 billion ($U.S.) in 1980, or 40 percent of its GDP. Debt grew to $6.8 billion in 1984, more than 85 percent of its GDP that year (Berthlemy and Bourguignon 1996; p. 70).

While not overtly socialist in ideology at independence, the Ivorian state increasingly became actively interventionist. It took an active role in planning, in the provision of infrastructure, in the extraction of surplus from the peasantry, and in investment. It also took minority shareholder positions in private productive enterprises. In 1966, the *Caisse de Stablisation et de soutien des Prix des Productions Agricoles* (or Caisse) was established to fix producer prices for cocoa and coffee, operate a reserve stabilization fund, and extract profits for the state—much in the same way that marketing boards operated in Anglophone Africa, with slight variation.

According to Berthlemy and Bourguignon (1996; p.30), AInitially, the Caisse was to be only a price stabilization device and an instrument for controlling export crop markets." However, with the increase in coffee and cocoa world prices in the mid-1970s, it became an additional source of revenue for the government and virtually abandoned its original stabilizing function. Between 1960 and 1990, Caisse made significant profits every year except for 1972, 1989, and 1990. This profit was achieved by fixing the prices to the producers at a much lower level than the prices on the international market. In 1984 and 1985, coffee and cocoa producers received on average only 37 percent of the international prices paid to Caisse.

Increased state activity led to greater direct public control and stimulation of cash-crop production. By 1979, 33 state enterprises had been established. Among them were SODESUCRE, to stimulate cane-sugar production to produce refined sugar, which was exported; SODERIZ, to increase rice production and eliminate imports; and SODEPALM, to increase palm-oil and coconut-oil production.

Industrialization was very limited and adapted to the needs of cash-crop farmers. The industrialization program consisted of two elements. The first—Amanufacturing@—consisted of processing local raw materials for export, the second, Aimport based industries,@ produced consumer goods for the local market with imported inputs. Extreme care was taken so that Ivorian industries would not compete with French ones. In fact, most of the industrial plants were subsidiaries of French companies, and the list of industries set up in Ivory Coast excluded the possibility of economic take off (Destanne de Bernis 1981; p.112.). The state retained ownership of the plants, but their operation and technology, especially in textile and construction sectors, were controlled by French capital. Managerial and technical staffs were drawn from the expatriate community. The plants relied on imported inputs, often overpriced. Consequently, profits were quite low, leaving little room for taxation (Leymarie 2000, web posted).

Houphouet-Boigny once described this economic philosophy as "state capitalism" but it transmogrified into Acrony capitalism.@ Many of his associates enriched themselves fabulously under his watchful patronage. The agro—business parastatals became Aprivate fiefs of the managing elite@ (Fieldhouse 1986; p.193). In the 1970s, Henri Bedie, the minister for the economy and finance, was dismissed for embezzlement and fled the country, later to become the charges d'Affaires of the Ivorian Embassy in Washington, DC. ARehabilitated,@ he returned to become the chairman of the Ivorian national assembly. His name resurfaced in a number of financial scandals, regarding his ill-fated plans to expand the country's sugar industry that rocked the country in the 1980s.

Another Houphouet-Boigny associate, Emmanuel Dioulo, the former mayor of Abidjan, fled to Europe in March 1985 to avoid criminal charges of embezzlement and fraud. His company, COGEXIM, "had failed to repay loans worth $58 million to the *Banque Nationale de Development*" (*West Africa,* May 1-7, 1989; p. 677). He received a presidential pardon and indemnity from prosecution upon his return to the country on March 3, 1986. In April 1989 Dr. Theodore Kouba, another executive member of the ruling PDCI, was charged with extorting CFA 6.8 billion ($21.8 million) from executives working for the Abidjan-based Continental Bank, the African Development Bank, the World Bank, and from some 800 Ivorian teachers under the pretext of building estate houses for them.

In 1983 Houphouet-Boigny himself stunned the nation by declaring on television that: "Yes, I do have assets abroad. But they are not assets belonging to Cote d'Ivoire. What sensible man does not keep his assets in Switzerland, the whole world's bank? I would be crazy to sacrifice my children's future in this crazy country without thinking of their future" (*La Croix* [Paris], March 13, 1990). In the *Guardian Weekly* (London), Paul Webster claimed that Houphouet-Boigny "was siphoning off French aid funds to amass a personal fortune as high as 6 billion pounds sterling" (June 17, 1990; p. 9).

Ivory Coast's economic development strategy, supported with massive infusion of World Bank loans and French aid, was based on the extraction of large surpluses from small—holders (peasant farmers)—for example, through 40percent or higher taxes on cocoa — for investment by the state. In his 1988 New Year's address to the nation, Houphouet-Boigny admitted that the country's farmers had over the years sacrificed 80 percent of the value of what they produced to enable the government to finance economic development. But the sums were channeled into inefficient and unprofitable state corporations. Further, over 80 percent and the development that took place was concentrated in Abidjan and other urban areas, bypassing the rural peasants. The president's proteges used the rest of the peasants' money for self-enrichment and deposited it overseas. In 1990, "the central bank calculated that some CFA 130 billion ($456 million) are spirited out of the country illegally each year" (*Africa Report* May-June, 1990; p. 14).

To be sure, in the 1960s and 1970s the Ivory Coast did enjoy robust economic growth, averaging 6 percent annually—one of the highest growth rates in Africa—and earning praise from the World Bank and other international donors. However, the windfall earnings from cocoa and coffee in 1976 and 1977 were splurged on imports, and the country borrowed recklessly to finance a consumption binge. Its foreign debt soared from $1.66 billion in 1975 to $8.45 billion in 1987 and $14 billion in 1988 for a country of 16 million people. An economic crisis emerged in 1979, debts were rescheduled, and a structural adjustment agreement was signed with the IMF and the World Bank in 1981. An initial success, with GDP growth registering 5 percent in 1985, led the World Bank and the IMF to throw all caution to the wind. A hasty 1985 IMF report, ignoring all signs of social discontent, huge disparities in income, and the lack of institutional infrastructure, was effusive in its praise, declaring Ivory Coast Aa success story@—a model of free market success.

Falling commodity prices and scandalous mismanagement brought the crisis back in 1988. GDP growth turned negative (-6.4 percent) with an income per capita of $830, down 36 percent from $1,290 in 1978. Blaming the declining market on Western commodity speculators, President Houphouet-Boigny asked all public sector employees, students, and teachers for a Asolidarity tax@—cuts in wages and allowances, 40 percent for civil servants. The official price paid to cocoa and coffee producers was reduced by 50 percent for the 1989 to 1990 growing season. These measures provoked unrest and riots amid calls for political reform.

Viewing the vast basilica Houphouet-Boigny was building for himself at Yamassoukrou at the cost of $360, million and taking a cue from the dramatic developments in Eastern Europe, the workers opposed the tax. They took to the streets in February and March 1990 to vent their anger at the government. They dismissed his argument that Western commodity speculators were responsible for the collapse of the markets and demanded his resignation, pointing to the basilica as a paramount example of his failed leadership. Irate workers demanded the prosecution of the *grotos*—the corrupt ruling elite—accusing AHouphouet-Boigny and some of his powerful government ministers of having hidden away in Europe sums said to exceed the foreign aid that Western donors have poured into Ivory Coast" *(The Washington Post* March 26, 1990; p. A17). When Houphouet-Boigny insisted that there were no billionaires in the Ivory Coast, a tract revealed that Minister of Primary Education Odette Kouame, appointed in 1985, owned a castle on Boulevard Latrille in Cocody and another in her own village.

Houphouet-Boigny steadfastly rejected the protesters' demands for multiparty democracy, claiming "tribalism was still the main obstacle to the achievement of national unity—the prerequisite for a change in the status quo" (*Africa Report* May-June 1990; p. 16) and unleashing his security forces on the protestors with tear gas, stun grenades, and truncheons. Schools were closed and 120 teachers were arrested (*West Africa*, April 2-8, 1990; p. 558).

By May 1990, the Ivorian Amiracle@ had gone bust. The country's 13 bishops issued a pastoral letter, deriding the situation as the AIvorian malaise@ (*West Africa*, Aug 6-12, 1990; p. 2251). Mounting pressure -through strikes and demonstrations- forced Houphouet-Boigny to legalize other political parties and to hold multiparty elections in November 1990. But Houphouet-Boigny handily won a seventh term in a presidential election generally regarded to have been rigged.

Social discontent against the corrupt ruling oligarchs bubbled to the surface again in 1992 when angry citizens took to the streets to protest hopeless life in perpetual poverty. University students boycotted end- of-year examinations to protest the government's new education policy, which required them to pay higher bus fares. Unemployed youth also went on the rampage, blocking midday rush hour traffic. Producers of the country's cash crops joined in. Years of neglect by the government had left them bitter. Apart from good access roads, every other social service was in short supply. At an October 1992 meeting at Anyama, on the outskirts of Abidjan, the farmers demanded better prices for their produce. (Again in 2003, the farmers renewed their demands, refused to sell their cocoa, and burned several tons of produce to protest low prices.)

In 1993, Houphouet-Boigny passed away, and power-hungry stalwarts within the ruling PDCI party could not even wait for his burial before jostling ferociously to succeed him. Said a desperate Philippe Yace, a challenger: "I would be happy to become president, even if just for two weeks" (*New African,* May 1994; p. 41). Ordinarily, the prime minister, Alassane Ouattara, should have taken over, but he was outmaneuvered by Henri Konan Bedie, the Speaker of the parliament. Bedie, who hails from the same ethnic group as Houphouet-Boigny (Bauole), assumed full control but departed from Houphouet's style of governance: dialogue and consensus with opposition forces.

In 1994, Bedie launched a highly xenophobic and ethnically divisive campaign of "Ivoirite"—Ivorian-ness—ostensibly to check the influx of foreigners. But opposition leaders said the campaign was to promote his Baoule ethnic group and prevent Ouattara, a Muslim for the north, from ever becoming president. "After 1994, after Ouattara left, all (Muslim) northerners lost important jobs", said sociologist Abdou Toure. "I was fired from UNESCO, Ali Coulibaly was fired as main television broadcaster, General Abdoulaye Coulibaly was fired as air force commander. We were replaced by Baoules, Toure said (*The Washington Times,* Oct 10, 1996; p.A17). Many African immigrants, notably from neighboring Burkina Faso and Ghana, were harassed and forced to leave.

For the presidential elections in 1995, Bedie rammed through parliament an electoral code designed to ensure his victory and changed the president's term of office from five to seven years. Protests led to violent clashes with security personnel on October 16, 1995, and five lives were lost. "Only a politician like Bedie could have made such a mess of things", said an irate World Bank official. "Only he could have turned an economic success story into a political nightmare that this is turning out to be" (*The Washington Times*, October 19, 1995; p.A14).

Crony capitalism continued unabated. In May 1998, the *French Weekly* published the fortunes of African heads of state, placing President Houphouet-Boigny's fortune at 35 billion FF ($6 billion) and clocking President Henri Bedie's at 2 billion FF — $300 million (reprinted in the Nigerian newspaper, *The News* Aug 17, 1998). Companies with links to President Konan Bedie's family grew fat in financial services and commodity trading, while others gobbled up the most profitable privatized state companies. In June, 1999, the EU suspended aid to Ivory Coast after discovering that about $30 million donated for health programs had apparently been embezzled through dubious accounting, over-billing, and failure to deliver goods. One example was baby weighing scales; a single scale would normally cost about $40 but was billed by the health ministry at $2,445. Subsequently in July, Communications Minister Daniele Boni Claverie revealed that four senior government officials of the Health Ministry were being held for questioning.

In August 1999 Ouattara was proclaimed leader and presidential candidate of the Assembly of Republicans (RDR), a breakaway group from the ruling party. Bedie grew nervous and panicky. On November 12, 1999, 11 leading members of RDR, including 4 members of parliament, were jailed for two years for allowing others to cause public disorder. Nine more were charged with public order offenses. On November 26, the police sealed whole areas of Abidjan and arrested 8 more leaders of the RDR in a northern town. The crackdown further widened ethnic and religious divisions, leading to events that culminated in a military coup. The rebellion not only was against appalling socioeconomic conditions and the tyrannical excesses of the Bedie regime but was also a sharp rebuke of French and World Bank policies in the Ivory Coast. On December 24, 1999, Bedie was overthrown by General Robert Guie.

Disavowing any interest in politics, General Guie vowed to create the necessary conditions for a real democracy with a view to holding fair and transparent elections within a year. He would not stand for election, he said; he had only come to "sweep the house clean" and return to the barracks. But after tasting power for a few months, he found that "power sweet,@ as Africans would say. He decided to run for the presidency in the elections he had scheduled for October 2000. Since he needed a political party, he asked the very political party he overthrew on charges of corruption to choose him as their presidential candidate! O coconut-head. When none of the parties would have him, he decided to run anyway as the "people's candidate" in the October 27 elections. When early returns showed that General Guie was losing, he ordered his soldiers to raid the Electoral Commission and sack the commissioners. The vote was then counted in secret and General Guei declared the winner. But angry Ivorians poured into the streets of Abidjan, demanding that General Guie step down from power. He fled Ivory Coast in a helicopter on October 29 and Laurent Gbagbo became the new president. But that did not end Ivorian troubles. Gbagbo resurrected *Ivoirite* to debar Ouattara from seeking the presidency. A mutiny by soldiers in September 2002 degenerated into civil war and state implosion. By January 2003, the Ivorian miracle has morphed into a ghastly nightmare.

Summary

The experience with industrialization through state ownership and development planning proved to be an unmitigated disaster in postcolonial Africa. Industrial output across Africa declined with some regions experiencing deindustrialization. The state enterprises established under Africa's various development plans failed to deliver:

> There are countless examples of badly chosen and poorly designed public investments, including some in which the World Bank has participated. A 1987 evaluation revealed that half of the completed rural development projects financed by the World Bank in Africa had failed. A cement plant serving Cote d'Ivoire, Ghana and Togo was closed in 1984 after only four years of operation. A state-run shoe factory in Tanzania has been operating at no more than 25 percent capacity and has remained open only thanks to a large government subsidy (World Bank 1989; p. 27).

By 1980, Africa had more than 3,200 state enterprises, most of which were financed by the World Bank, the African Development Bank and foreign loans. By the beginning of the 1990s, there were 4,000 state enterprises. These state enterprise, set up with foreign loans turned out to be hideously inefficient, underutilized, unprofitable, and overstaffed. "Rather than conserving foreign exchange, as proponents had argued, import substitution industries (in Africa) had frequently proved to be import-intensive, as capital goods and many of the components used in manufacturing had to be imported" (Chazan et al., 1992; p.254). As we have seen, the number of these "black elephants" in Africa is large.

Africa's state enterprises consumed about one-fifth of its GDP while contributing only one-tenth of its GDP (World Bank, 1993). In Niger, the cumulative deficit of 23 loss-making SEs exceeded 4 percent of Niger's (GDP) in 1982. In 1990, subsidies to Zimbabwe's parastatals amounted to 6.9 percent of total recurrent expenditure or 34.5 percent of the budget deficit (Five Year Development Plan, 1990-1995).

In Tanzania, between 1976 and 1979, one-third of all state enterprises were losing money. In Benin, more than 60 percent of all SEs suffer losses. In Togo, the losses of just eight state enterprises reached 4 percent of GDP in 1980, while in Ghana, 65 percent of all state enterprises still had losses in that year. In 1984 there were 235 state enterprises in Ghana. Kenya's government estimated that over $1.4 billion had been invested in SEs by the early 1980s. Yet, their annual average return had been just 0.2 percent of invested capital (Goldman 1992; p. 10). E. A. Sai, member—secretary of Ghana's Committee of Secretaries, echoed these sentiments:

> Apart from a few success stories in the management of public enterprises in Africa, such as in the Kenya Tea Development Authority, Botswana's Meat Commission, Tanzania's Electricity Company, The Guma Valley Water Company of Sierra Leone and Ghana's Volta River Authority, the record of state enterprises had been poor (*West Africa* May 16, 1988; p.897).

Indeed, in a speech at the International Conference on Privatization on Febuary 17, 1987, in Washington, D.C., the former president of the African Development Bank, Babacar N'Diaye, himself admitted that:

> It is now generally accepted that over time the majority of public sector enterprises or entities have not performed efficiently. Instead of accumulating surpluses or supplying services efficiently, a good number of these enterprises have become a drain on the national treasuries. Due to this poor performance, coupled with the growing recognition of the costs of ineffective public enterprises in terms of foregone economic development and the scarcity of domestic and external resources for public sector expenditure, reappraisal of the strategy of heavy reliance on the public sector has become imperative. From this reappraisal, a view has emerged—the need for enhancement of the role of the private sector in development. We in Africa are facing a great challenge. We believe that the creation of a conducive environment for the growth of the private sector, an important agent of economic growth, is essential" (*African Business,* June, 1987; p.23).

Thus, statism, hegemonic state participation in and direction of the economy, was a complete failure in Africa. Nowhere on the continent did it succeed in allowing African countries to achieve their economic potential. Between 1965 and 1985, Africa's economy grew by a miserable 1.1 percent rate. The rate of growth for all of black Africa was a negative 14.6 percent for the same period (World Bank, World Development Report, 1988). The record was no less impressive in the "capitalist" African countries: Cameroon, Ivory Coast, Malawi, and Senegal. Ivory Coast and Senegal were often described as "success stories" for achieving what may be called "spectacular" growth. But they were the biggest aid receivers on the continent. Ivory Coast, as we saw, imploded in September 2002. Senegal received more than $500 million a year from the IMF, World Bank, and France—almost $100 per person in the 1980s. "Without that aid Senegal would be considered one of the region's basket cases", said *The Wall Street Journal* (July 29 1985; p.18). Moreover, according to *West Africa* (Feb10, 1986; p.282): "In 1973-1983, Senegal's GNP rose by an average of 2.6 percent from only 1.6 percent in 1965-70. But in 1984, it dropped by 4 percent in real terms to some $2,400 million. From 1965 to 1983, GNP per capita dropped by an annual average of about 0.4 percent".

Conclusion

After independence, African nationalists settled down to develop Africa—in its own image. They were in a hurry. Africa was to be developed not by capitalist or imperialist principles but by a socialist ideology under which the state not only participated in but captured the "commanding heights of the economy". Even those African countries, such as Ivory Coast, Kenya, and Nigeria, that were not so enamored with the socialist ideology envisaged and actively promoted state participation in the economy for nationalistic reasons—to promote Aindigenization@ (indigenous ownership of the economy) and to protect national assets against foreign exploitation.

State participation in the economy was, almost everywhere in Africa, to be achieved through a myriad of state controls, state ownership, and establishment of state enterprises and government regulations. Development was to be spearheaded by the state, which acted as the entrepreneur, the planner, and the investor. Industry was emphasized over agriculture, since all developed countries are Aindustrialized.@ Besides, agriculture was held in contempt as an inferior form of occupation. Worse, it reminded African nationalist leaders and elites of their colonial past.

The strategy for industrialization was import-substitution. The idea was that the production of commodities previously imported would save foreign exchange. The same foreign exchange could be used to import machinery and equipment needed to accelerate the pace of development.

Massive resources were needed for Africa's industrialization drive. Only the state, under the banner of socialism, it was argued, possessed the necessary powers to mobilize the requisite resources. These resources could be secured by running down the country's foreign exchange reserves. Where such reserves had been depleted, the peasants could be milked — a la Soviet example — through compulsory saving schemes and development levies under such slogans as Anational sacrifice@ and Abelt-tightening.@ The remainder was to be sought through money creation and, as a last resort, borrowing from abroad. And foreign aid poured into Africa.

With such resources invested, African leaders surmised that they could transform Africa into a bountiful and prosperous continent. Kwame Nkrumah of Ghana, for example, dreamed of transforming Ghana into a Averitable paradise@ and undertook to Aachieve in a decade what it took others a century@ (Nkrumah, 1973; p.401). Unfortunately, all did not go as planned.

The Byzantine maze of state controls and regulations created an artificial Ascarcity economy@ and rich opportunities for illicit enrichment. State controls on prices, imports, and foreign exchange, for example, created artificial shortages, which spawned a mountain of economically unproductive rent-seeking activities. Price controls created shortages and, in turn, black markets, where commodities were illegally sold above their government-controlled price. Much time and resources were expended chasing scarce goods. Bribes were offered to secure such goods. Government officials in charge of the distribution of scarce goods saw an opportunity to secure them at the cheap official price and resell them on the black market to reap huge profits. An official culture of bribery and corruption was spawned.

Africa's state enterprises established with foreign loans were egregiously inefficient and riddled with excess capacity, waste, and corruption. Obviously, these enterprises could not generate the return needed to repay the loans that were taken to establish them. Foreign loans taken for Ageneral budget support@ or to cover a budget deficit posed a problem when they disappeared into general government accounts. In that case, they could be used to pay civil servant salaries or even purchase weapons for the military. Under such circumstances, the loans were being Aconsumed@ and not invested productively to generate a return. Investment in infrastructure is necessary for economic development, and foreign loans from the World Bank to build such infrastructure can be defended on economic grounds. Roads, bridges, schools, health clinics, telecommunications, safe drinking water and a reliable supply of electricity are all vital to spur economic growth. But when the infrastructure is allowed to deteriorate and decay because of negligence its contribution to economic growth becomes negative or dubious. In other cases, portions of foreign loans simply disappeared into the pockets of corrupt government officials. Thus, foreign loans taken by African governments were not used productively. A debt crisis erupted when the time came to repay the loans. Debts were rolled over and more was borrowed to service existing debt, which really did not solve the problem.

Commodity scarcities, *kalabule,* hoarding, smuggling, bribery, inefficient state enterprises, budget deficits, and the accumulation of foreign debt were the first-generation problems, which fed upon themselves to create the second-generation problems — the subject of the next chapter. The Averitable paradise@ promised Africans turned out to be famine, unproductive state enterprises, and a bazooka to the head.

[1]. For a fuller discussion of these functions, see Ayittey 1991, chapter 8.

[2] **A Boeing 737 on a Lagos-Abuja run, Bellview Flight 210, crashed on Oct 22, 2005. Seven weeks later, a DC-9 owned by Sosoliso Airlines crashed in Port Harcourt in the southern oil-producing region. On Oct 29, 2006, a Boeing 737, operated by ADC Airlines crashed on take-off at Abuja.**

This author will never forget a memorable experience of booking a flight from Accra to Lagos on Nov 9, 2005 -- less than a month after the Belleview crash. Never have I come across a travel agent as intrepid as the one I dealt with in Ghana. I had wanted to go to Lagos very early in the morning and return to Accra later in the evening. Here is the conversation that took place between me and Pat, the travel agent.

"In that case, you will have to go with Belleview; they leave very early in the morning from Accra at about 7:00 am and return very late at night" Pat said.

"Hein? Belleview? Didn't their plane crash recently?" I asked.

"Yes, but only one of their planes fell down and they have not found the cause yet. Besides, all planes fall down from the sky; even the bigger ones fall down too," she assured me.

"Thanks but no thanks. Please book me on Virgin Nigeria," I requested.

"OK, but Virgin Nigeria hasn't fallen down yet. Who knows; their turn too might come," she added.

Some travel agent!! Talk about a sensitive and reassuring travel agent giving you all the information about air travel, including planes falling down!

[3] The Special Drawing Right (SDR) was created by the IMF in 1969 as an international reserve asset supplement the existing reserves of member countries. Under the Bretton Woods fixed exchange rate system, the international supply of two key reserve assets—gold and the U.S. dollar—proved inadequate for supporting the expansion of world trade and financial development that was taking place. Therefore, the international community decided to create a new international reserve asset under the auspices of the IMF. However, only a few years later, the Bretton Woods system collapsed and the major currencies shifted to a floating exchange rate regime, lessening the need for SDRs.

Today, the SDR has only limited use as a reserve asset, and its main function is to serve as the unit of account of the IMF and some other international organizations. The SDR is neither a currency, nor a claim on the IMF. Rather, it is a potential claim on the freely usable currencies of IMF members. The value of the SDR was initially defined as equivalent to 0.888671 grams of fine gold-which, at the time, was also equivalent to one U.S. dollar. After the collapse of the Bretton Woods system in 1973, however, the SDR was redefined as a basket of currencies, today consisting of the euro, Japanese yen, pound sterling, and U.S. dollar. It is calculated as the sum of specific amounts of the four currencies valued in U.S. dollars, on the basis of exchange rates quoted at noon each day in the London market. (Culled from the IMF website: http://www.imf.org/external/np/exr/facts/sdr.htm)