AFRICA UNCHAINED
Chapter 8

How to Develop Africa

> When, if ever, black people actually organize as a race in their various population centers, they will find that the basic and guiding ideology they now seek and so much need is embedded in their own traditional philosophy and constitutional system, simply waiting to be extracted and set forth.
>
> C Chancellor Williams (1987; p.161)

> We have had to go back to our roots. We have to go back to our traditional ways of solving our problems, traditional ways of working together. Otherwise, Boosaaso a port in war-torn Somalia would not have peace.
>
> C Gen. Mohamed Abshir, Boosaaso's de facto administrator in *The Washington Post,* March 3, 1996; p.A29.

> Unfortunately, the leadership that took over from the departing colonial authorities did not go back to our past to revive and revitalize our democratic roots. They took the line of least resistance and convenience and continued with despotism, autocracy, and authoritarianism. But the basic democratic culture is still there.
>
> C Dr. Adebayo Adedeji, former executive secretary of UN Economic Commission for Africa and director of the African Center for Development and Strategic Studies in Nigeria, in *Africa Report*, Nov/Dec 1993; p.58

Why the Statist/Socialist Model Failed in Africa

Africa's disastrous postcolonial economic record provides overwhelming evidence that the state-controlled socialist economic model can never be used to develop Africa successfully. First, the inherent superiority of the statist model has not been proven convincingly in any part of the Third World. **State-run companies or corporations are seldom run efficiently anywhere – even in the First World. Such was the case of Japan National Oil Corporation (JNOC). According to *The Wall Street Journal* (March 9, 2005):**

> **Japan's quest for overseas energy sources was long run by powerful bureaucrats who operated with little transparency or outside accountability. In four decades, they mostly found hundreds of dry oil and natural gas wells – and billions of dollars in red ink . . .**
>
> **Now, as the rise of China, India and other countries heats up global competition for fossil fuels, Japan is hoping to get better results by relying more on market discipline. In a major policy shift, Tokyo is disbanding its state-run company and shifting its support to a commercially run company that Japan hopes can better compete with foreign oil titans.**
>
> **"There has been a large mentality change in Japan," says Paul Bernard, head of Asian energy research in Hong Kong for Goldman Sachs Groups Inc. "The government realized it just has no business being in the petroleum exploration business."**
>
> **As its new national champion, Japan has anointed Inpex Corp., a state-owned exploration company created by the government in 1966 to drill for oil and natural gas in**

> **Indonesia. To assume its new role, Inpex is being restructured to act more like a private company. In November 2004, the Tokyo-based company was listed on the Tokyo tock Exchange, when the government reduced its stake to 30 percent from more than half . . . The government has sold Inpex some of the most prized assets of its failed bureaucrat-run predecessor, Japan National Oil Corp., or JNOC . . . JNOC is scheduled to be disbanded by March 2005, with 720 billion *yen* ($6.84 billion) in losses. In 38 years of operation, less than one-quarter of its more than 300 exploration projects ever found profitable quantities of oil and gas.**
>
> **The abysmal record made it an easy target for Prime Minister Junichiro Koizumi, who since taking power four years ago has vowed to shrink the size of government and rely more on the private sector. Reformers hope a more market-based approach will prove more effective, and less costly, in securing energy sources . . .**
>
> **In its search for a national oil champion, Japan may have picked a winner in Inpex. The company is widely praised by analysts for being well run, a legacy of having been managed as a for-profit company since its creation' (p.A19).**

Second, even if such a model can be adjudged superior, Africa lacks the necessary supporting inputs to make the model work: An efficient administrative machinery, honest and dedicated civil servants, as well as an effective communications network. Africa lacks all these. Third, the statist/socialist model benefited only the ruling vampire elites. Only they rode about in Mercedes Benzes. Only they purchased commodities at government-controlled prices. Only they had access to government-subsidized housing. Even their funerals were paid for by the government. But there were also more practical reasons why statism failed miserably in Africa.

Multiplicity of Economic Objectives

Development under the direction of the state (dirigisme) led to the establishment of many state enterprises under hastily drawn industrialization programs, which were intended to achieve a Multiplicity of objectives, some of which were noneconomic and contradictory. To compound the problem, many of the goals were nebulous. Nkrumah's Seven-Year Development Plan, for example, had more than 13 objectives, ranging from attaining economic independence, social justice, and African unity to "breaking the stranglehold of neocolonialism. Some state enterprises were expected to turn a profit and at the same time generate employment. But since many stood as shining pieces of "modern development", they were subjected to all kinds of political interference. Many were overstaffed with political functionaries and cronies". In some African countries, state controls and public enterprises were expected to check the activities of foreigners and multinational corporations. Some state enterprises were supposed to earn or save the country foreign exchange.

In many places in Africa, foreigners and foreign companies were quite productive. This was especially the case of Lebanese in West Africa; Asians in Uganda, Kenya, and other East African countries; and Belgians in Zaire. When Idi Amin expelled the Asian merchants in the mid-1970s, and Zaire expelled foreign nationals and seized their companies, as well as their property, the GNP in both countries suffered severely. In 1972, Idi Amin nationalized British investments worth more than , 250 million and expelled all 50, 000 Asians, confiscating assets worth more than , 500 million, which he distributed to his cronies. The economy collapsed. Exports of sugar, coffee, and tea slumped, as peasant farmers resorted to smuggling to escape confiscatory taxes from Amin's rapacious gang. By the time Amin was kicked out by Tanzanian soldiers in 1979, average incomes in Uganda were 40 percent lower than in 1971, when he seized power. President Yoweri Museveni invited the Asians back and offered to return about 40 percent of their assets confiscated by Amin. The result? According to *The Economist* (Aug 23, 2003), AUganda is one of only a handful of African states to have seen a substantial reversal of the flight of capital and skills. Asians, 15,000 of whom now live in Uganda, have invested an estimated $1 billion in the last decade or so" (p.37).

There have been cases upon cases where an African government has nationalized a foreign-owned company, only to mismanage it. Consider, for example, two documented cases from Ghana. In 1976, the government of Ghana took over R. T. Briscoe, a foreign company. "Before the takeover, the company was producing 24l buses in 1974. After the takeover, production was 12 buses in 1977 and only 6 buses in 1978" (*Daily Graphic*, Jan 18, 1979; p.5). Four years earlier, in 1972, the government of Ghana had also taken over the African Timber and Plywood Company, a private company. The results were the same. Before the takeover, "production was 75 percent of installed capacity but this has fallen to a woeful 13 percent" (*West Africa*, Oct 12, 1981; p.2422).

Economic progress suffers whenever an activity is transferred by the state from productive into unproductive and inefficient hands. Even the so-called "backward and illiterate" chiefs recognized this:

> Nana Kwadwo Bosea Gyinantwi IV, Omanhene of Drobo Traditional Area, called on the government to allow foreign firms like UAC (Ghana Ltd), G. B. Ollivant and Cadbury and Fry with long standing experience in the cocoa industry to purchase and evacuate cocoa produce because the [state-owned] CMB and its agencies have proved incapable of handling the industry alone.
>
> He said since many expatriate companies in the country had in the past dealt with the cocoa industry with precision, there was no point in saddling the CMB with a load it could not carry (*Daily Graphic*, Sept 21, 1981; p.5)

It is true that Africa was "exploited", however that term is defined in the past by the colonialists. But the persecution of expatriates in Africa often borders on xenophobic hysteria. Foreigners have always been welcome in Africa C a view shared by Diop (1987):

> In addition to the two previously mentioned cities, Timbuktu and Djenne, known as far as Asia and Europe, there were Biru, Soo, Ndob, Pekes, and so on. In all these centers foreign nationals had their own quarters in which they could live in utmost security with their goods, while pursuing their business. For the most part these were Arabs from North Africa, Egypt, and Yemen, and Europeans, especially Spaniards. Some of them were even students in Timbuktu. Black Africa was hospitable to foreigners. We already know that the king of Djenne wished for there to be more foreigners than natives in his capital. (p.133).

Even in some native political systems, foreign nationals played a role. It may be recalled that the king of the Asante Empire in the nineteenth century had Muslim record keepers as well as a Dutch advisor. King Alfonso of Angola also had Portuguese representatives at his court in the eighteenth century.

In this era of globalization, efficiency ought to be prime consideration, regardless of tribal affiliation, race, or religion. If a foreigner, a Muslim, or a Martian performs satisfactorily, he/she should be kept on the job. If not, then sack him or her. In fact, in certain economic spheres or areas of governance, foreign expatriates have decisive advantages because they are insulated from the local web of social and cultural obligations. For example, when an expatriate says "there are no more import licenses", Nigerians would accept that as final. But when a Nigerian minister of trade says the same thing, it is interpreted as "come to my house at 7.00 p.m. with a bottle of whisky, an envelope stuffed with cash, and l will give you one".

In Ghana, the government itself recognized the attributes of the expatriate. In 1970, for example, Ghana Airways signed an agreement with Aer Lingus of Ireland to manage Ghana's airline for a fee of 3 million *cedis* ($1 million). Even the Bank of Ghana "employed the services of an expatriate, one Mr. Anderson, to streamline affairs in the Bank" (*Punch*, Oct 16-22, 1981; p.3). Also in 1981, the Limannn administration placed the management of the country's shipping line (the Black Star Line) in the hands of Philippine nationals. Then in Ghana, a government-appointed committee for increased gold output stated that: AThe State Gold Mining Corporation (SGMC) must embark on a crash program to recruit not less than 100 'experienced expatriates' within 18 months to help increase gold production (*Daily Graphic*, June 22, 1981; p.1).

In July, 2004, President Olusegun Obasanjo invited about 200 white farmers, whose farmlands have been violently seized by the Mugabe regime in Zimbabwe, to resettle in in Kwara state. Bukola Saraki, the governor of the state, said: "When we found oil [in the Niger

delta], we didn't ask people in southern Nigeria to look for shovels to dig for it. We brought in foreigners with expertise. Our land is an asset that is not being utilized. The only way to do that is to bring in people with the necessary skills" (*The Washington Times*, July 18, 2004; p.A6). In this case, while white Zimbabwean farmers should be welcome in Nigeria, unfortunately -- as we shall argue in chapter 10 -- the governor erred by abandoning his state's peasant farmers. Foreign expertise should augment, not replace the local expertise. In March, 2007, this same governor declared that he is worth $2 billion!

> **"In the Code of Conduct Bureau filings, the young governor declared that he owned properties in the UK worth 2.9 million pounds and in the US worth $4 million respectively, his assets as declared in the assets declaration forms obtained by Sahara reporters are worth $2 billion"**
> **http://www.saharareporters.com/www/news/detail/?id=276.**

Pragmatism ought to rule. The issue is not whether Africans are "inferior" or "unqualified" or the expatriate "superior" and more "qualified". Rather, it is a question of getting the job done in an establishment. If an African cannot do it, he should be fired, just as the expatriate should. At the same time, however, it would be unwise to insert expatriates in certain areas; for example, peasant agriculture. The hysteria about the employment of expatriates obfuscates the issue and plays into the hands of incompetent African officials.

The disbarment of foreign nationals provided many African governments with the rationale to create employment for their nationals and party supporters. Africa's state sector became hopelessly overstaffed. More than 20 percent of Ghana's civil service was declared redundant in 1984 by the secretary of finance (*West Africa*, Jan 27, 1986; p.1607). In fact, Ghana's state-owned shipping line, the Black Star Line, had so many redundant employees that 254 were paid for three years (1981-84) to simply stay home! (*West Africa*, Aug 6, 1984; p.1607). Back in 1966, a bamboo processing factory was found to have spent just 219 *cedis* ($72) on raw materials whereas wages and salaries amounted to 16,184 *cedis* and the State Fishing Corporation "as of October 1, 1968, had on its payroll 435 sea-going personnel, despite the fact that for months it had no vessel fishing" (Killick 1978; p.237). In fact, in 1966, the minister of finance listed "overstaffing" and indiscipline" as one of the major factors militating against efficiency of public enterprises (Killick 1978; p.237). Nigerian Railways has six times the staff per traffic unit of European railways. In February 1987, some 30 percent of all ministries in Sierra Leone were considered superfluous (*West Africa,* June, 1988; p.1762).

In Ghana, blatant cases of overmanning were often for political reasons and had a whole history dating back to the 1970s. One excellent example was Ghana's State Gold Mining Corporation, which was investigated by the Amamoo Commission (1971). Its report noted that:

> The basic cause of the present weakness of the corporation is political in nature. Since it was formed in 1961 no Government has provided the Corporation with the conditions necessary for its success. One reason for this is that Governments have tried to pursue contradictory objectives. Governments have tended to speak with two voices about the duties of the Corporation. With one voice they justify the necessity for the Corporation on social, noncommercial grounds, i.e., on the need to prevent unemployment. With the other voice, however, they talk of the Corporation in commercial terms, stressing the need to obtain profits and criticizing the management for having to depend on budgetary subsidies. (p.8)

Another example of political interference and lack of accountability is supplied by the case of Ghana's Industrial Development Corporation (IDC), set up to promote industrial investment. A 1958 report by W. Arthur Lewis, the famous economist from the West Indies, noted that:

> The IDC has suffered greatly from outside interference in the shape of Members of Parliament and other influential persons expecting staff appointments to be made irrespective of merit, redundant staff to be kept on pay-roll, disciplinary measures to be relaxed in favor of constituents, business to be purchased at inflated prices, loans to

made irrespective of security etc. (Killick, 1978; p.245).

When the opposition charged that the IDC served more to the whims of politicians, the minister of works, N. A. Welbeck, retorted: "But that is proper; and the Honorable Member too would do it if he were there!" (Killick 1978; p.245).

Misaligned priorities were not unique only to Ghana. In Zambia, a country with critical shortages (of tires and auto spares, for instance), China was busy building a giant new headquarters for the country's only political party (*The Wall Street Journal*, July 29, 1985; p.18).

In addition, there has been a rather consistent tendency on the part of African leaders to select development projects that emphasize grandeur rather than economy. In Ghana, there was notable predisposition on the part of the government to opt "for modern capital-intensive techniques and projects". Uphoff (1970) cited a pharmaceutical factory, where a relatively modest design was turned down in favor of another that eventually cost nearly ten times as much and that included "eleven bungalows for managers, a handsomely fitted administration block, a large cafeteria with one of the biggest and most modern kitchens in Ghana, and housing for experimental animals better than those in which most Ghanaians lived" (p.562).

Administrative Ineptitude

Some of the reasons for the poor performance of the state enterprises and other development projects generally have been poor project planning, lack of feasibility studies, improper siting of industries and projects, poor coordination, and implementation that emanated from defective administrative machineries.

The civil service is characterized by low morale, lack of discipline and accountability, predisposition toward graft, nepotism, and low productivity. African governments have always been aware of the defects in the civil service machinery but instead of tackling the problems they have blamed their predecessors, the "colonialists". Nkrumah was well aware of these defects;

It has long been apparent that the administrative machinery we inherited was not designed for a country working within the framework of an overall development plan, and in which the activities of individual agencies of the nation are directed to clearly defined goals of development. An effective reform of the governmental machinery is therefore needed if the 7-Year Plan is not to falter on the inadequacies of administration. (Nkrumah 1973; p.199)

Reform of the government machinery never materialized. To rectify the defects in the "colonially" inherited machinery, he created more ministries and public institutions. When no improvement was forthcoming he lamented that:

It amazes me that up to the present many civil servants do not realize that we are living in a revolutionary era. This Ghana, which has lost so much time serving colonial masters, cannot afford to be tied down to archaic snail-pace methods of work which obstruct expeditious progress. We have lost so much time that we need to do in ten years what has taken others a hundred years to accomplish. (Nkrumah 1973; p.157)

Twelve years after Nkrumah's overthrow the civil service standard of efficiency has not changed much, as the Okoh Commission (1978) noted: AThe standard of discipline is generally low both in terms of compliance with civil service code and in the enforcement of disciplinary action. There is widespread feeling that some superior officers lack self-disciplining themselves. They are thus unable to set the right examples for the sub-ordinates to follow". (p.2)

Defects in the civil service machinery not only resulted in poor project planning but also in administrative blunders and financial mismanagement. There is extensive evidence for these, but suffice it here to give a few dramatic examples.

In Ghana, two tomato canneries were built in different parts of the country. The capacity of either one of them would have met the total domestic demand (Killick 1978; p.229). It took six years to complete Ghana's state footwear corporation factory and by the time it was ready to go into production much of its equipment was obsolete (Killick 1978; p.231). The Ghana government-owned sugar factory at Komenda, after completion, stood idle for more than a year because it lacked a water supply system (Killick 1978; p.231).

In Uganda and Angola, some high-rises lack glass panes and running water. In Mali, a Soviet-built cement factory at Diamou was designed for a capacity of 50,000 tons a year. Beset by regular breakdowns, it produced only 5 tons in 1983 (*Time*, Jan 16, 1984; p.27). Furthermore according to *The Wall Street Journal* (July 29, 1985):

> The U.S. built 50 crop storage depots in Senegal and placed them in locations the peasants never visited. In Uganda, a railroad expert discovered to his amazement that a repair shop built with foreign aid was seven times as large as the one he ran in Germany. A fifth of Ivory Coast's foreign borrowing went to build two sugar mills that started production just four years ago and now are closed. In Sudan, the Soviets built a milk bottling plant at Babanusa. Babanusa's Baggara tribesmen drink their milk straight from the cow and there aren't any facilities to ship milk out of Babanusa. The 20-year old plant hasn't produced a single bottle of milk. (p.18)

Delays in project completion C with consequent cost over-runs, poor coordination, and in some cases the absence thereof C all took their toll on the efficiency of the state enterprises. In 1975, Nigeria purchased a Russian-made steel-making furnace. But it was built on a site so remote from iron and coal mines as to render it useless. Subsequently, Russian, German and French technicians spent billions of *naira* to make it operational. The most outrageous blunder, however, was what was dubbed Africa's largest paper mill, the Nigerian National Paper Manufacturing Company. It was conceived under the Third National Development Plan (1975-80), to produce 100,000 tons of paper yearly, to earn about 150 million *naira* from exports and save the nation 250 million *naira* in imports. It was initially estimated to cost only 85 million *naira* in 1976.

By 1979, the cost has been revised to 350 million *naira* from where it jumped to 450 million *naira* three years later. By 1986, it was estimated that an additional 275 million *naira* was needed for completion. When the government could not provide the funds, a Canadian company proposed a loan of $135 million (which then was the equivalent of 275 million naira) to complete the required project in return for lifting of crude oil of an equivalent amount, but this offer was rejected. By 1989, only 55 percent of the project had been completed, according to Professor Ganiyu Jawando, chairman of the Nigerian company. According to *New African* (Aug 1989):

> The project was then almost forgotten until last November, (1988) when President Ibrahim Babangida paid a visit. He was shocked by what he saw: AThe Iwopin Paper Mill is becoming a classical example of how not to plan and execute a major strategic operation", he said. AIt is a sad reflection of bad planning, bad implementation and bad use of public funds which have characterized our life since independence". (p.24)

Many of Africa's state enterprises were set up with either no prior feasibility studies or improperly done studies. Where these studies were done at all, they mostly were done by the very companies or individuals who were peddling their equipment for factories under supplier credit arrangements C a clear conflict of interest. For example, in Ghana, a Yugoslav company recommended and built two tomato canning factories on an assumed price of 1 *pesewa* per pound of tomatoes when farmers were receiving from the ordinary market traders 5 1/2 to 9 *pesewas* in one center and up to 15 *pesewas* in others (Killick, 1978; p.230). In a similar fashion, the British consultants and engineers who built and managed Ghana's steelworks at Tema, based their analysis on an assumed price for electric power that was only 30 percent of the going rate for other industrial consumers (Killick, 1978; p.230). That officials were aware of these shortcomings and conflicts of interest is borne out by a remark by the minister of finance that the foreign suppliers who undertook the feasibility studies, "were more interested in selling than in anything else" (Killick, 1978; p.230). Lest one be inclined to ascribe these failures to a lack of administrative skills, note should be taken of an observation made by the World Bank in reference to Ghana's State Farm Corporation: "The most simple calculations of costs and returns would have indicated the lack of viability inherent in many of the Corporation's projects prior to their implementation" (Killick, 1978; p.230).

Venal Tendencies

African governments are characterized by overspending, wasteful practices, willful extravagance with public funds, and financial irregularities and profligacy. Many projects have failed in Africa because they were riddled with graft and corruption. According to the World Bank's 1983 World Development Report:

> Corruption seriously undermines the effectiveness of government. Over time, corruption tends to corrode popular confidence in public institutions. Rent-seeking can become an obsessive pre-occupation. Public officials will do nothing without bribes and many people are unproductively employed in securing their favors or buying their silence. Corruption tends to favor those with economic or institutional power. Some corruption is on such a scale that it has major economic consequences; it may stimulate the illegal export of capital or result in large projects being awarded to contractors (often multinational companies) according to the size of their bribes rather than the quality of their performance. (p.117)

Much of the failure of government policies in Africa can be explained corruption because it goes hand in hand with administrative inefficiency. Administrators may expedite the approval of a project without checking its viability either because they have a personal interest in it or are promised a cut. In some instances a viable project is shelved indefinitely because the appropriate minister was not adequately "settled", as Nigerians would say. Not only does corruption undermine administrative efficiency but it also impairs the government's ability to formulate and implement development policies.

As we saw in Chapter 6, in most African countries, the import control program required licenses or official permission before goods could be imported. But in Nigeria, an importer could obtain the license with payment of a 10 percent bribe. It was the same story in Ghana, where even government-appointed commissions of enquiry revealed this malpractice. In Senegal, when the state-run company to distribute fertilizer and seed was closed, "auditors discovered that most of the company's $250 million in bad debts were owed by about half a dozen politically well-connected businessmen" (*The Wall Street Journal*, July 29, 1985; p.18).

Failed Grand Initiatives in the Past

In the postcolonial era, African governments have not proven themselves to be more competent at managing resources more efficiently than the private sector. Since independence, African leaders have announced all sorts of grandiose initiatives and mega-plans at various summits. Nothing is subsequently heard of them after the summits: The Lagos Plan of Action (1980); the African Priority Program for Economic Recovery (1985); the African Alternative Framework to Structural Adjustment (1989), the United Nations Program of Action for African Recovery and Development (UNPAERD); the United Nations New Agenda for African Development (UNNADAF); the Abuja Treaty (1991); and others. In the late 1980s, there was much excitement about the creation of the African economic community. Nothing was heard of it since. At the thirty-fifth OAU Summit in Algiers (July 15, 1999), President Thabo Mbeki of South Africa shocked the delegates by reminding them that little has been done to implement the 1991 Treaty of Abuja, which established an African economic community (*The Washington Times*, July 15, 1999; p.A14).

There were other grand initiatives too: The Algerian and South African initiative, the Millennium Partnership for the African Recovery (MAP), and the Omega Plan, spearheaded by President Abdoulaye Wade of Senegal. They were finally integrated into a single plan called the *Compact for African Recovery* (COMPACT) by the Economic Commission for Africa (ECA). Subsequently, COMPACT metastasized into the New Partnership for Africa's Development (NEPAD). All these plans committed African leaders to democratic ideals; establishment of peace, law, and order; respect for human rights and basic freedoms; and a better management of their economies, among other things. They also entreat the international community, especially

Western nations, to work in partnership with African leaders to help them to realize their goal.

NEPAD

The New Partnership for Africa's Development (NEPAD) C a synthesis of these plans and touted by Presidents Thabo Mbeki of South Africa, Olusegun Obasanjo of Nigeria, and Abdoulaye Wade of Senegal C was presented at the G-8 Summit in Genoa in 2001 for Western financial support. NEPAD seeks $64 billion in Western investments in Africa. The official NEPAD document undertakes "to respect the global standards of democracy, whose core components include political pluralism, allowing for the existence of several political parties and workers' unions, fair, open, free and democratic elections periodically organized to enable the populace to choose their leaders freely". It also includes a "peer review mechanism" by which African leaders who misrule their countries would be subject to criticism by fellow African leaders according to commonly agreed standards. NEPAD was trumpeted as "Africa's own initiative", "Africa's Plan", "African crafted", and therefore "African owned". While African leaders deserve credit for at least making the effort to craft an AAfrican initiative", NEPAD is fatally flawed in many ways.

Badgering the West

First, its pitch and analysis are faulty. Playing the guilt trip card, NEPAD claims that the impoverishment of Africa has been "accentuated" by the "legacy of colonialism" and other historical "legacies" such as the cold war and the unjust "international economic system". Colonialism subverted Africa's "traditional structures, institutions and values", creating an economy "subservient to the economic and political needs of the imperial powers" (para 21). Africa has been integrated into the world economy as "supplier of cheap labor and raw materials, draining Africa's resources rather than industrializing Africa" (para 21). Colonialism, according to NEPAD, retarded the development of an entrepreneurial and middle class with managerial capability. At independence, Africa inherited a "weak capitalist class", which explains the "weak accumulation process, weak states and dysfunctional economies". (para 22) C the same old colonialism claptrap. Insufficient "rate of accumulation" in the postcolonial period led to "patronage and corruption". (para 25) The "vicious circle" of "economic decline and poor governance" has confirmed Africa's peripheral and diminishing role and "marginalization". (para 26). More recent reasons for Africa's dire condition include "its continued marginalization from the globalization process" .(para 2)

Back in August 1999, representatives of African governments met in Accra and issued a declaration: "Africa is demanding $777 trillion from Western Europe and the Americas in reparation for enslaving Africans while colonizing the continent" (*Pan African News Agency,* August 18, 1999). It added that the money would be demanded from ''all those nations of Western Europe and the Americas and institutions, who participated and benefited from the slave trade and colonialism''. Dr. Hamet Maulana and Debra Kofie, co-chairpersons of the commission, urged that worldwide monitoring and networking systems be instituted to ensure that reparation and repatriation will be achieved by 2004. Problem is, U.S. GNP is only $10 trillion and amount asked- $777 trillion- exceeds the combined sum of the GNPs of the entire Western world. **According to the British government's Office of National Statistics, AThe United Kingdom B that is England, Wales, Scotland and Northern Ireland B is officially valued at $8.8 trillion, a sum that includes all of its property and buildings, machinery, roads, bridges, planes, trains and automobiles. It also includes all the money deposited in its banks and other financial institutions. Plus everything on the shelves at Harrods" (*The New York Times*, Jan 1, 2004; p.A4).** While slavery and colonialism did harm Africa, this card has excessively been over - played by African leaders to conceal their own failures. The truth is, African leaders themselves have marginalized Africa.

To be sure, unfair trade practices -- trade barriers and agricultural subsidies -- are legitimate issues of concern for the Third World. It is hypocritical for the West to preach free trade **to the developing countries** and yet put barriers in its place. But **there is hypocrisy on both sides. According to Columbia University economist, Jagdish Bhagwati, "there is greater tariff protection on manufacturers in the poor countries . . . and autarkic trade barriers make domestic markets more lucrative than exports, leading therefore to an incentive bias against exports. So even when the rich country markets are opened further, one's own trade barriers can prevent the penetration of these markets" (*The Wall Street Journal*, Jan 18, 2005; p.A16).**

More importantly, the rich countries protect themselves against unfair trade practices, so why shouldn't African countries? A case in point is U.S.'s anti-dumping law. Known as the Byrd Amendment for its chief author, Senator Robert Byrd (D-W. Virginia), the law passed by Congress in 2001 provides that "when foreign manufacturers are found to be dumping goods in the U.S. market – that is, selling at unfairly low prices – any anti-dumping duties that are imposed can be handed over to the U.S. companies that brought the dumping case, rather than to the Treasury. It has benefited U.S. firms in industries including steel and pasta, with one of the largest beneficiaries being Timken Co., an Ohio maker of bearings, which collected about $40 million in 2004" (*The Washington Post,* April 1, 2005; p.A4).

According to a study by Oxfam, a UK aid group, eliminating billions of dollars in federal subsidies to American cotton growers each year would reduce American cotton production and exports, raise world prices by about 10 percent and modestly improve the incomes of millions of poor cotton farmers in Africa.

"Agricultural economists at the University of California, Davis, who conducted the study for Oxfam, found that a typical farm family of 10 in Chad, Benin, Burkina Faso or Mali — Africa's major cotton producers — that now earns $2,000 a year would have an extra $46 to $114 a year to spend if American subsidies were removed. African farmers would receive about half the total gain from higher prices, while the balance would go to those who transport, process and package the cotton, among others. Oxfam however concedes that: "Subsidy reform alone will not resolve all the challenges facing the cotton sector, but it could significantly ease the burden on poor cotton farmers struggling to support their families" (*The New York Times*, June 21, 2007; pA12)

Even then, trade barriers and subsidies are peripheral to the core issue of Africa's under development. Africa's exports consist mainly of cash crops (cocoa, cotton, coffee, bananas, sisal, etc.) and minerals (gold, diamonds, oil, titanium, cobalt, copper, etc.). Trade barriers and agricultural subsidies in the West affect only a few African exports, such as cotton (Burkina Faso, Mali, Sudan), peanuts or groundnuts (Gambia, Senegal, Sudan), sugar (Mauritius, Mozambique, South Africa), tobacco (Malawi, Zimbabwe), and beef (from Botswana, Namibia). Only a few African countries such as Ivory Coast, Mauritius, and South Africa export manufactured goods, which can encounter trade barriers in the West.

Consider the effects of Western subsidies on the cash crop cotton, for example. In Mali, cotton farmers hitch their one-bladed plows to oxen and take two weeks to till 10- to 20-acre plots, from which the cotton is eventually picked by hand. In contrast, the Mississippi Delta growers tend giant spreads of 10,000 acres or more in air-conditioned tractors using global positioning satellite systems to determine the proper amount of fertilizer to apply to sprouting seedlings on each particular acre. In all, it costs 82 cents to produce a pound of cotton in Mississippi versus only 23 cents a pound in Mali (*The Washington Post,* June 8, 2003; p.B2)

However, the higher-cost American producers are in business because of government subsidies. In 2002, President Bush signed into law a piece of legislation that paid more than $3.4 billion in subsidies to America's 25,000 cotton farmers. Thus, U.S. government subsidies allow American farmers to produce more cotton, which will depress world prices, making it difficult for Malian farmers to compete.

In Burkina Faso, Benin, Chad, and Mali, cotton production accounts for 5 to 10 percent of the gross domestic product (GDP), 30 percent of trade balance, and more than 60 percent of export receipts. But Mali, Burkina Faso, and Benin have each lost $43, $33 and $28 million respectively in export receipts because of the effects of subsidies. African countries as a whole lost about $300 million U.S. dollars in 2001- 2002 because of depressed world cotton prices, thanks to the U.S. subsidies, which have brought the global cotton price down by 25 percent. Benin, Burkina Faso, Mali, and Chad are demanding the gradual elimination of the subsidies over a three-year period, from 2004 to 2006.

It is not Western agricultural subsidies, however, that have hurt African food agriculture. As we saw in Chapter 7, food production per capita has been declining and Africa's food import amounts to some $18 billion annually. The recent civil war in Ivory Coast, for example, cut the country's cocoa exports by half and disrupted agricultural exports of neighboring countries that pass through Ivory Coast. In Burundi, coffee production has dropped by more than 50 percent because of civil war/strife that has engulfed that small country of 8 million people since 1993. In Malawi, crime has risen so sharply that some farmers have refused to grow crops. And while the U.S. maintains import quotas against Zimbabwe's tobacco exports, the industry has virtually been destroyed by President Robert Mugabe's violent seizures of white commercial farmland to remedy "colonial injustices".

Wailing over agricultural subsidies in rich countries amounts to shedding crocodile tears since it gives the false impression that African governments care much about agriculture. The erosion of Africa's share of world trade was caused not so much by trade barriers but rather a host of internal factors. Among them are the neglect of agriculture occasioned by the over-emphasis on industrialization, raging civil wars, crumbling infrastructure, and misguided socialist policies that exploited Africa's farmers through a system of marketing boards and price controls. For example, trade barriers do not block exports of oil, diamonds, gold, col-tan, and other minerals from Africa. Yet, paradoxically, countries that produce them C Angola, Congo, Equatorial Guinea, Gabon, Nigeria, Sudan, among others C have been wracked by war, poverty and social destitution. In fact, Africa's diamonds have fueled such barbarous civil wars in Angola, Congo, and Sierra Leone that human rights activists in the West have called for a boycott of Africa's "conflict diamonds.

A key note speech by the new African Union (AU) secretary-general, Amara Essy, to mark the New Year on Jan 3, 2002 in Addis Ababa, Ethiopia, did not provide Africans with hope or assurance. He "accused the international community of failing the continent; their refusal to alleviate Africa's huge debt burden continues to compromise its development" (IRIN, Jan 03, 2002). It is the same old drivel about the international community failing Africa, as if it is the international community that is responsible for the flagrant violations of human rights on the continent.

NEPAD and African Self- Reliance

Second, NEPAD talks of "self-reliance" and argues forcefully that Africans must be "masters of their own destiny". It rails against "the credit and aid binomial" that has led to a "debt deadlock", and perpetual rescheduling (para 3). In fact, the plan is a cleverly designed vehicle to extract more foreign aid and credit. It says that Africa needs to secure more aid and more credit (para 145), and furthermore, that the "bulk" of Africa's capital needs up to the year 2015 "will have to come from outside Africa" (para 147). The apparent contradiction stems from an aid-dependency trap African leaders seem incapable of breaking out of. NEPAD as a Western Model

Third, it turned out NEPAD was modeled after a *foreign plan*: The U.S. Marshall Aid Plan, which rebuilt Europe after World War II. Recall that the development that took place in postcolonial Africa was dismissed as Adevelopment-by-imitation". American farmers use tractors; so too must African farmers. Rome has a basilica; so, too, must Yamassoukrou, Ivory Coast. Now comes NEPAD. How could it be "African crafted" when it is a copy of the Marshall Aid Plan?

How could Africa claim ownership over someone else's idea?

At a forum organized by Kenya's Mazingira Institute, the African Academy of Sciences, and the Regional Office (Horn and East Africa) of the Heinrich Boell Foundation, the keynote speaker was Prof. Adedeji Adebayo. As the UN undersecretary general and executive secretary of the ECA, Adedeji was instrumental in creating five initiatives to jump-start Africa's economic growth. Aid, he said, had failed to solve Africa's problems for four decades and was not about to. "No Marshal Plan will work in Africa's underdeveloped markets. It worked in Germany because of Germans' hard work and intellectual resourcesY. Africa requires building anew; not rehabilitation or reconstruction", said Adedeji (*East African,* [Nairobi], May 6, 2002).

NEPAD and Exclusion

Fourth and more serious was the blatant dishonesty and double-speak that infected NEPAD. Speaking at the four-day OAU Civil Society conference (June 10 - 14, 2002), President Obasanjo of Nigeria noted that the involvement of civil organisations is required in order to make the ongoing establishment of African Union and NEPAD successful. "I would like to reiterate that much of what Africa has today gained in the areas of political and social sphere have been derived from the direct influence of Civil Society Organizations (CSOs). This attitude should continue", he added (*Daily Monitor [*Addis Ababa], June 14, 2002. Web posted at www.allafrica.com). Prime Minister Meles Zenawi of Ethiopia on his part said that the role of civil society is essential in making sustainable development in Africa. Meles noted that the success of NEPAD lies in the collective efforts of all Africans at the grassroot levels (*Daily Monitor* [Addis Ababa], June 14, 2002). NEPAD also claims to be "people-oriented". Yet, NEPAD was "crafted" without consultation with Africa's NGOs and civic groups.

No civic group, church, political party, parliament, or democratic body took part in its formulation. Only a small coterie of African leaders deliberated on the document, excluding the political leadership of the rest of Africa. In fact, most governments and civil society organizations in Africa first learned about NEPAD from the Western media when President Thabo Mbeki presented it in Davos at the World Economic Forum in January 2001. It had resulted from a chaotic evolution: The Millennium Partnership for African Recovery (MAP), crafted by presidents Mbeki and Bouteflika, was merged with the Omega Plan, spearheaded by President Abdoulaye Wade of Senegal to create the Compact For African Recovery by the Economic Commission for Africa (ECA), which subsequently metastasized into NEPAD. In fact, President Mbeki admitted to this lack of popular consultation in a letter to the African National Congress (ANC):

Quite naturally, up to now, our governments have led the processes of African transformation represented by the AU and NEPAD. Nevertheless, the 2001 Lusaka Summit of the OAU directed the Member States to popularize both the AU and NEPAD among the African masses. In reality, however, much needs to be done to give effect to this decision. The establishment of the Pan African Parliament (PAP) further emphasizes the need for the empowerment of our people to play their role in changing their lives for the better. Our movement must respond to this challenge and ensure that we both supply the people with the knowledge they need, as well as organize them actively to participate in what inevitably will be a protracted struggle for the victory of the African renaissance". (*ANC TODAY*, On Line Voice of the African National Congress, July 9-15, 2004. Web site: http://www.anc.org.za/ancdocs/anctoday/2004/at27.html)

A furor erupted in Africa when it became clear that NEPAD was crafted more to placate Western donors rather that address issues of concern to the African people. On January 9, 2001, representatives of some 200 social movements, organizations, and institutions meeting in Bamako, Mali, issued "The Bamako Declaration", which strongly condemned the lack of consultation with civic society. Another joust came in March 2002, when the Southern African Catholic Bishops Conference (SACBC) slammed NEPAD, calling the plan "ambiguous" and some of its proposals "dubious". The bishops averred that "NEPAD may not achieve its purpose because of lack of consultation with those the plan would affect" (*Mail and Guardian,* [Johannesburg], March 8, 2002). In fact, such has been the history of other grandiose initiatives and megaplans announced by African leaders at various summits to address Africa's woes. They cease to exist after the summits.

Problem is, the architects of NEPAD do not even take African Unity seriously. Instead of working collectively to advance NEPAD as an "African initiative", South Africa has spearheaded NEPAD with Nigeria, Algeria, and Senegal, in a group now known as Athe powerful G-4" (group of four), leaving the other countries chafing with little role to play.

On June 5, 2002, African leaders met in Durban, South Africa to fine-tune the details of the ambitious recovery plan for Africa. But bitter acrimony engulfed the endeavor and tension emerged over the powerful G-4 steering NEPAD. Irate at being excluded from the core group because of allegations of corruption in his government, Kenyan President Daniel arap Moi left in a huff, barely 24 hours after the opening of the summit, without making any formal addresses. His team of government officials subsequently withdrew from panel discussions on NEPAD and headed home. Kenya also complained that South Africa was rushing ahead with NEPAD without explaining the program to the rest of Africa. Libya, whose leader Col. Gaddaffi has been one of the architects of the AU, was also incensed at being left out of the plan. ALibya has let it be known that it is not happy at being excluded when it was a major force behind the creation of the AU", an African ambassador said, adding that explanations by some ministers that Libya was still largely isolated internationally had gone down badly with Ghaddafi. Zambian Foreign Minister Katele Kalumba also admitted there were tensions as NEPAD got off the ground *(Sunday Standard On Line,* June 9, 2002).

Never mind the absurdity of dictators standing in judgment of other despots. Even before the plan was launched, there was backpedaling on the "peer review mechanism". President Mbeki of South Africa has been reticent on how to implement peer review. "He talks vaguely about market reaction to the reviews, and a system of credit ratings for participating countries. Zambia's Levy Mwanawasa, who was elected in dubious circumstances in Jan 2002, argues that `peer review must not be about isolation.' And Mozambique's Joaquim Chissano says it is too early to talk of peer pressure, even on countries as badly governed as Zimbabwe" (*The Economist*, June 22, 2002; p.44).

When the peer review mechanism was formally launched at the March 2003 Abuja meeting, it was "intended as a voluntary 'self-monitoring' system by which participating African countries subject themselves to ongoing examination by other Africans in such priority areas as peace and security, democracy and political governance, and economic and corporate management" (*Africa Recovery*, May 2003; p.8). At the Abuja meeting, only 10 out of 54 African countries officially acceded to the African Peer Review Mechanism (APRM) -- Algeria, the Republic of Congo, Ethiopia, Ghana, Kenya, Mozambique, Nigeria, Rwanda, South Africa and Uganda, with Botswana and Senegal indicating their intention to accede. APRM's funding was to come from African institutions, businesses and individuals "in order to affirm African ownership of the mechanism", (*Africa Recovery*, May 2003; p.8). **"Out of 53 members of the AU, only 23 have signed the Peer Review Protocol. Not even the shining example of democracy in Africa, Botswana, is prepared to subject itself to the Peer Review mechanism scrutiny . . . Of the 23 signatories only two, Rwanda and Ghana, have undergone the PR process" (.*Mmegi/The Reporter*, Gaborone, July 12, 2005; web posted).** Obviously, such a mechanism would not work if only the "good guys" signed up and there are no costs to the "bad guys" for nonparticipation.

Nonetheless, on June 26, 2002, the presidents of Algeria, Nigeria, Senegal and South Africa traveled to Kananaski, Alberta (Canada) to present NEPAD to the G-8 Summit for funding by the rich nations. Mercy Muigai, an unemployed Kenyan woman, was unimpressed:

> "All these people [African leaders and elites] do is talk, talk, talk. Then if they do get any money from the *wazungu* [white men], they just steal it for themselves. And what about us? We have no food. We have no schools. We have no future. We are just left to die" (*The Washington Times,* June 28, 2002; p.A17).

Africa's Leaky Begging Bowl

Fact is, the resources Africa desperately needs to launch into self-sustaining growth and prosperity can be found in Africa itself. The problem is intellectually astigmatized leadership, that is programmed to look only one way "outside Africa, principally in the West" for such resources, which results in hopeless aid dependency. At a workshop organized for the Parliamentary Sub-Committee on Foreign Affairs at Ho, Ghana, Dr. Yaw Dzobe Gebe, a fellow at the Legon Center for International Affairs at the University of Ghana, stressed the need for the AU to look within the continent for capital formation to build a viable continental union with less dependency on foreign aid. "With an accumulated foreign debt of nearly $350 billion and estimated capital requirement of more than $50 billion annually for capacity building, it is time Africa begins to look within for capital formation. Experience in the last 40 years or more of independence and association with Europe and America should alert African leaders of the fact that there are very limited benefits to be derived from benevolence of the development partners" (*Daily Graphic,* July 24, 2004; p.16).

> **An irate Namibian, Alexactus T. Kaure, weighed in:**
> **"What I want to talk about is the uncritical belief -- especially by African leaders -- that somehow Africa's salvation and development will come from outside. This state of affairs has in turn led to the development of a number of industries in Europe and North America to reinforce and sustain that belief . . . You would always hear of a conference on Africa, for Africans *but not by Africans*, to discuss this or that issue, being held in places like Paris, London, Stockholm, Washington, Toronto and, of course, Brussels. And as you are reading this piece now, there is one going on in Brussels - termed EU-Africa Week. This conference will discuss a range of issues such as (good) governance, social rights, corruption, inequalities and vulnerable groups and the role of the media in development among others.**
> **Now most of these issues don't need a rocket scientist to actualize them and thus there is no need for these endless conferences. To make things even worse, the very same people who are supposed to implement most of the good practices in their countries and who are either unable or unwilling to; are the ones frequenting these conference halls. For them, of course, it's just another short holiday and opportunity for shopping and a bit of extra cash through S&T (per diem)" (*The Namibian,* Nov 24, 2006; web posted-- http://www.namibian.com.na)**

Africa's investment process may be compared to a "leaky bucket". The level of the water therein C GNP per capita C is determined by inflows of foreign aid, investment, and export earnings relative to outflows or leakages of imports (food, luxury consumer items), corruption, and civil wars. Recall the table 7.5, which depicted Africa's balance of payment situation in 1998. It showed a balance of payment deficit of $17.9 billion. This had to be financed by new borrowing, which would increase Africa's foreign debt, or by the use of reserve, which were nonexistent for most African countries. This number, however, does not tell the full story. Hidden from view is a much grimmer story- the other more serious leakages.

According to one UN estimate, A$200 billion or 90 percent of the sub-Saharan part of the continent's gross domestic product (much of it illicitly earned), was shipped to foreign banks in 1991 alone" (*The New York Times* (Feb 4, 1996; p.A4). Capital flight out of Africa is at least $20 billion annually. Part of the capital flight out of Africa represents wealth created legitimately by business owners who have little faith in keeping it in Africa. The rest represents loot stolen by corrupt African leaders and politicians. Recall the charge by Nigerian President Olusegun Obasanjo, that corrupt African leaders have stolen at least $140 billion (,95 billion) from their people in the decades since independence (*London Independent*, June 14, 2002. Web posted at www. independent.co.uk).

Foreign aid has not been spared, either. Says The Economist (Jan 17, 2004): AFor every dollar that foolish northerners lent Africa between 1970 and 1996, 80 cents flowed out as capital flight in the same year, typically into Swiss bank accounts or to buy mansions on the Cote d'Azur" (Survey; p.12). At the Commonwealth Summit in Abuja, Nigeria on December 3, 2003, former British secretary of state for international development, Rt. Hon Lynda Chalker, revealed that 40 per cent of wealth created in Africa is invested outside the continent. Chalker said African economies would have fared better if the wealth created on the continent were retained within. "If you can get your kith and kin to bring the funds back and have it invested in infrastructure, the economies of African countries would be much better than what there are today, she said (*This Day* [Lagos], Dec 4, 2003). On October 13, 2003, Laolu Akande, a veteran Nigerian freelance journalist, wrote that:

> "Nigeria's foreign debt profile is now in the region of $25-$30 billion, but the president of the Institute of Chartered Accountants of Nigeria, ICAN, Chief Jaiye K. Randle, himself an eminent accountant and social commentator has now revealed that individual Nigerians are currently lodging far more than Nigeria owes in foreign banks. With an estimate he put at $170 billion it becomes immediately clear why the quest for debt forgiveness would remain a far fetched dream" (http://nigeriaworld.com/columnist/laoluakande/articles.html)

In August 2004, an African Union report claimed that Africa loses an estimated $148 billion annually to corrupt practices, a figure which represents 25 percent of the continent's Gross Domestic Product (GDP). "Mr. Babatunde Olugboji, Chairman, Independent Advocacy Project, made this revelation in Lagos while addressing the press on the survey scheduled to be embarked upon by the body to determine the level of corruption in the country even though Transparency International has rated Nigeria as the second most corrupt nation in the world" (*Vanguard,* Lagos, Aug 6, 2004. Web posted at www.allafrica.com).

Back in the late 1980s, Sammy Kum Buo, director of the U.N. Center for Peace and Disarmament, lamented that "Africa spends about $12 billion a year on the purchase of arms and the maintenance of the armed forces, an amount which is equal to what Africa was requesting in financial aid over the next 5 years" (*West Africa*, May 11, 1987; p. 912). Since then, this amount has increased for all of Africa: AExcluding South Africa, spending on arms in sub-Saharan Africa totaled nearly $11 billion in 1998, if military assistance and funding of opposition groups and mercenaries are taken into account. This was an annual increase of about 14 percent at a time when the regions economic growth rose by less than 1 percent in real terms" (*The Washington Times*, Nov 8, 1999; p.A16). Total expenditures on arms and militaries exceed $15 billion annually and are already included in total imports.

Civil wars continue to wreak devastation on African economies. They cost Africa at least $15 billion annually in lost output, wreckage of infrastructure, and refugee crises. The crisis in Zimbabwe, for example, has cost Africa dearly. Foreign investors have fled the region and the South African *rand* has lost 25 percent of its value since 2000. Recall that more than 2 million Zimbabwean refugees have fled to settle in South Africa, and the South African government is preparing a military base at Messina to house as many as 70,000 refugees. Since 2000 almost 60,000 physicians and other professionals have left Zimbabwe (*The Washington Post*, March 3, 2002; p. A20). According to *The Observer* [London] (Sept 30, 2001), Zimbabwe's economic collapse had caused $37 billion worth of damage to South Africa and other neighboring countries. South Africa has been worst affected, while Botswana, Malawi, Mozambique, and Zambia have also suffered severely.

As we have seen, neglect of peasant agriculture, the uprooting of farmers by civil wars, devastated infrastructure, and misguided agricultural policies have made it difficult for Africa to feed itself. Therefore, Africa must resort to food imports, spending $15 billion in 1998 (World Ban 2000a; p.107). By 2000, food imports had reached $18.7 billion, slightly more than donor assistance of $18.6 billion to Africa in 2000 (*Africa Recovery,* Jan 2004; p.16).

Here is a breakdown of how Africa loses money:

Corruption	$148 billion
Capital Flight	$20 billion
Expenditures on Arms and Military	$15 billion
Civil War Damage	$15 billion
Food Imports	$18 billion
Total Other Leakages	**$216 billion**

Recall that NEPAD seeks $64 billion from the West in investments. However, from the table, if Africa could feed itself, if the senseless wars raging on the continent would cease, if the elites would invest their wealth -B legitimate or ill-gotten C in Africa, and if expenditures on arms and the military are reduced, Africa could find with itself the resources it needs for investment. In fact, more resources can be found if corrupt leaders would disgorge the loot they have stashed abroad -B a condition we previously established for debt relief. This constitutes the new way of looking at the investment issue: Plugging the leakages and repatriating booty hoarded abroad. The leadership, of course, would prefer crawling before Western donors with a bowl in hand to beg for more foreign aid, mumbling about the slave trade, colonial injustices, and an unfair international economic system. Enough. A new approach or a new paradigm is imperative.
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FOR IMMEDIATE RELEASE:
March 26, 2010 Contact: Monique Perry Danziger
mdanziger@gfip.org
202-293-0740
$854 Billion Removed from Africa by Illicit Financial Flows from 1970 to 2008

Hundreds of billions that could have been used for poverty alleviation and economic development lost, finds new report from Global Financial Integrity
WASHINGTON, DC - Africa lost $854 billion in illicit financial outflows from 1970 through 2008, according to a new report to be released today from Global Financial Integrity (GFI). Illicit Financial Flows from Africa: Hidden Resource for Development debuts new estimates for volume and patterns of illicit financial outflows from Africa, building upon GFI's ground-breaking 2009 report, Illicit Financial Flows from Developing Countries: 2002-2006, which estimated that developing countries were losing as much as $1 trillion every year in illicit outflows. The new Africa illicit flows report is expected to feature prominently at the 3rd Annual Conference of African finance ministers in Malawi, which is currently underway.
"The amount of money that has been drained out of Africa-hundreds of billions decade after decade-is far in excess of the official development assistance going into African countries," said GFI director Raymond Baker. "Staunching this devastating outflow of much-needed capital is essential to achieving economic development and poverty alleviation goals in these countries."
Examining data for a 39-year range from 1970 to 2008, key report findings include:
Total illicit financial outflows from Africa, conservatively estimated, were approximately $854 billion;
Total illicit outflows from Africa may be as high as $1.8 trillion;
Sub-Saharan African countries experienced the bulk of illicit financial outflows with the West and Central African region posting the largest outflow numbers;

The top five countries with the highest outflow measured were: Nigeria ($89.5 billion) Egypt ($70.5 billion), Algeria ($25.7 billion), Morocco ($25 billion), and South Africa ($24.9 billion);
Illicit financial outflows from the entire region outpaced official development assistance going into the region at a ratio of at least 2 to 1;
Illicit financial outflows from Africa grew at an average rate of 11.9 percent per year.
"This report breaks new ground in the fight to end global poverty with analyses and measurements of illicit financial outflows never before undertaken," said Mr. Baker. "As long as these countries are losing massive amounts of money to illicit financial outflows, economic development and prosperity will remain elusive."
"The drivers of illicit financial outflows vary from country to country but overall transparency in the global financial system would curtail all forms of outflows by making it harder for money to disappear once it exits the country," commented Mr. Baker. "When the G20 meets in Canada this June, the problem of illicit financial flows must be at the top of the agenda."
GFI recently launched the G20 Transparency campaign to enable people around the world to take action on the problem of illicit financial flows. To sign the G20 transparency petition, which will be presented at the G20 meetings in June, go to www.G20Transparency.com or visit www.GFIP.org.

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Africa's Development model goes Kaput

The existing approach to development envisioned the process as embarking on a journey from a state of underdevelopment to a developed state. The road was strewn with innumerable obstacles. Earlier development literature in the 1960s and 1970s was replete with a host of these obstacles: low income, low investment, low savings, illiteracy, high population growth rates, and so on. It was believed that removing these Aobstacles", with foreign aid from Western donors was all that was needed to spur development. Few paid any attention to the *condition* of the vehicle for the journey.

Every society that seeks to move from point A to point B on the development stage needs a working state or vehicle. Regardless of horsepower, shape, or color, a vehicle is an amalgamation of systems: ignition system, fuel system, electrical system, cooling system, transmission system, suspension system, brake system, as well as other systems. Each system is designed for a specific purpose and must be in good working condition for the vehicle to operate efficiently. When a system breaks down, it must be repaired promptly. Parts designed for one system cannot be used to repair another. Oil, a lubricant, cannot be used as a coolant in the radiator. Periodic maintenance and repair are imperative for optimal operating efficiency of each system. In other words, you can't neglect to put oil in the engine of a car and when the engine seizes up, claim that the vehicle colonialists bequeathed you was defective. Unfortunately, the word Amaintenance" does not even exist in the official lexicon of African governments, who drive new systems into the ground and then abandon them.

Institutions are to a state or society what systems are to a vehicle. A society has such institutions and systems as the military, the police and law enforcement, the political system, the economic system, the educational system, the judiciary system, the banking system, the civil service, and the media. Each institution has a specific function to play and should not be cross-matched with different functions. For example, the role of the military is to defend the territorial integrity of the nation and protect its citizens, while that of the judiciary is to enforce the rule of law and assure justice. Soldiers cannot be placed in civil judicial or political roles, because they are not trained for such roles. These institutions can also provide institutional checks against each other; for example, the police against the judiciary and verse versa.

Unfortunately in virtually all African countries, the development journey or process was turned completely upside-down. The tools of development were state controlled or owned. The institutions that were supposed to provide the checks and balances were debauched by the ruling vampire elites for self-aggrandizement. The elites turned politics or service in government as the arena for self-enrichment. To be rich in Africa, the elites head straight into politics or government, not the private sector. As government officials, their role is not to serve but to fleece the people. To achieve their objective of self-enrichment, they take over and subvert every key institution of government -- the civil service, judiciary, military, media, banking and even the educational system. These institutions become paralyzed. Meritocracy, rule of law, property rights, transparency and administrative capacity vanish. State-owned corporations and the national treasury are raided with impunity. With enormous powers accumulated in their hand by two defective systems they themselves established (the economic system of statism and the political system of sultanism), the elite *bazongas* (raiders of the public treasury) go scot-free. Where parliament exists, it is rubber-stamp and not likely to probe deeply into the collapse of a looted, state-owned corporation.

As noted in Chapter 6, other systems in the state (or development vehicle) are also perverted to dispense patronage. The civil service is packed with party hacks, cronies, and tribesmen. Eventually, it becomes bloated, inefficient, and riddled with corruption. The educational system produces functionally illiterate elites, who sing fawning praises to the "Big Man". The judiciary system fails to uphold the rule of law because the judges themselves are crooks and the police highway bandits. The banking system is subject to manipulation by the ruling elite to siphon billions of dollars into overseas accounts. The media in most African countries was taken over soon after independence by the state and gagged or used as a propaganda mouthpiece for the ruling vagabonds. The remaining private newspapers were cowed into silence with criminal libel suits, assassinations, and onerous registration requirements. But the most discredited and perverted institution in Africa has been the military-cum-security forces, lacking even an elementary understanding of their basic function in society. Instead of protecting the people, security forces train their guns on them. As infrastructure crumbled in the post colonial period, the ruling elites sought medical attention abroad, sent their children to schools overseas and shopped in foreign capitals. And the people? They were left to eat grass or starve.

By the early 1980s, Africa's development model (or the developmobile) had broken down with a host of agricultural crisis, foreign debt crisis, inflation, etc. Fiendishly clutching control was a reckless and unskilled megalomaniac who proclaimed himself "leader-for-life".He had no idea how the country worked and viewed it as his personal property. He blamed any failure on the colonialists and surrounded himself with his cronies, tribesmen, mistresses, sycophants, and other patronage junkies. They, in turn, brought along their relatives, tribesmen, and friends. With all of these leeches and parasites mooching off the people, the system collapsed leaving a trail of crises in its wake

Thus debauched, the institutions and systems in Africa's states became dysfunctional and the "developmobile" kaput. Internal systems malfunctioned. The warlords in Congo, Liberia, Sierra Leone, Somalia and other African countries cared less about the *condition* of the state or the people. Rather, they battled ferociously to determine who should be in control. Not to be outdone, Africa's politicians and intellectuals argued furiously and endlessly over who would be a better leader: a Hausa, Yoruba, Tutsi, Hutu, Kikuyu, Muslim, or a professor. No one was talking about fixing the institutions or systems. What was the sense in arguing over who would be the Abest" leader or whether a six-lane highway must be built when Africa's Adevelopmobile" was kaput?

Meanwhile, multilateral financial institutions, such as the World Bank, the IMF, Western governments and donor agencies trip over themselves to offer aid and conflicting advice. Initially, they preoccupied themselves with removing obstacles to development by building highways, bridges, dams, and schools to improve literacy rates, and sinking bore holes for drinking water, for example — a pointless since the state had broken down. Subsequently, in the 1990s, they shifted their focus to fixing various parts of the state: Structural adjustment (economic reform) and democratization. But what the World Bank and the IMF failed to understand was that Africa's state needed a *complete overhaul,* not just piece-meal reform.

Eventually, the vampire state and the coconut republic imploded. Groups excluded from the gravy train rose up in an insurgency to overthrow the ruling bandits, sucking the country into a vortex of carnage and mayhem. Burundi, Ivory Coast, Liberia, Rwanda, Sierra Leone, Somalia, and Zaire would all have been saved if their military despots, most of whom are dead anyway, were willing to relinquish or share political power and give their people a better shake.

In summary, Africa's developmobile is going nowhere because of institutional breakdown (dysfunctional systems) and the megalomaniac drivers, who have "gone bonkers". Their development priorities are oriented toward self-aggrandizement and self-perpetuation in power. It is an African tragedy because no nation can develop when it is ruled by a phalanx of rabid bandits who stay in office forever. As George Soros, the billionaire financier, observed succinctly: "The main cause of misery and poverty in the world is bad government" (*The Wall Street Journal* (March 14, 2002; p.B1).

This development crisis situation confronts many African countries. It has three dimensions relating to the leader, the condition of the state apparatus, and the environment. It is important to recognize that fixing one without the other would make little difference to the development process. For example, changing the leader through democratic elections alone would not mean much if the government had broken down. The experience of several African countries in the 1990s is instructive at this juncture: Some leaders were merely changed without reforming their dilapidated systems/institutions: Zambia in 1991 (from Kenneth Kaunda to Frederick Chiluba); Liberia in 1996 (from Samuel Doe to Charles Taylor); Ivory Coast in 1999 (from Konan Bedies to Robert Guie in 1999 and from Guie to Laurent Gbagbo in 2000); and Nigeria in 1999 (from Abusallam Abubakar to Olusegun Obasanjo). Therefore, questions of accelerating development (becoming a developed state) must be deferred until the state system is fixed. We can argue forever whether this situation inherited from the colonialists was defective or not, but that would be pointless. But as Africans themselves often say, "We struggle hard to remove one cockroach from power but the next coconut-head comes to do the same thing."

Fixing Africa

Back in the 1980s and 1990s, nearly all the development models assumed that all other things were equal and all Africa needed to take off was a massive infusion of foreign aid or capital. This orthodoxy, which became known as "capital fundamentalism", assumed that the country had the "absorptive capacity" to utilize effectively the capital it received from abroad. In other words, it had the right institutions, the right environment, and the capability to utilize foreign aid or investment. For example, that the country was at peace (no civil wars), property rights were respected (government thugs did not arbitrarily seize private property with impunity) and that the rule of law prevailed (the head of state and his ministers did not loot the treasury).

Today, most of these assumptions can be seen as profoundly erroneous and misguided. An "enabling environment" has not prevailed over much of postcolonial Africa. In fact, Africa's investment climate has deteriorated progressively over the decades. What now prevails is antithetical to development. The infusion of vast amounts of foreign aid into Africa achieved little results. The Washington consensus has now shifted its focus to "governance", but its fatal flaw is its presumption that the mafia state or the coconut republic will or is capable of reforming itself. A *new approach* is needed.

The new approach requires making two fundamental distinctions: Between African elites and African peasants or people. The wretched leadership, drawn from the elite class, has been the major problem, not the people. True, people get the leaders they deserve but only if they choose them. In the majority of the African countries, the people play no role in choosing their leaders, who impose themselves on their people.

The second distinction is even more important – modern, informal, and traditional Africa.

These three Africas do not operate by the same principles and logic. Africa cannot be developed by ignoring the informal and traditional sectors, where the vast majority of the people live. Nor can these sectors be developed without understanding how they work. Tragically, these were precisely the two sectors little understood and neglected by African leaders, elites and Western development experts.

Traditional Africa works – albeit at a low level of efficiency – and has sustained its people for centuries. Modern Africa, the abode of the elites, is by contrast dysfunctional, lost and collapsing. Most of Africa's woes emanate from the modern sector and spill over to the others, causing severe disruptions, dislocations and claiming innocent victims.

As noted in Chapter 1, the real people of Africa are the peasant majority, who produce Africa's real wealth. They may lack formal education but are hard-working and enterprising. A careful study of their "primitive" societies reveals an astonishing degree of functionality: participatory forms of democracy, rule of customary law, accountability, and free enterprise. In traditional Africa, kings were not above the law and were severely restrained in the exercise of their powers against their people. The king of the Asante (of Ghana) might appear absolute, but he "had to procure the consent of the chiefs, and the chiefs the consent of the elders, in order to bring about group action" (Carlston, 1968; p.127). "Akan kings (in Ghana) had no right to make peace or war, make laws, or be directly involved in important negotiations such as treaties without the consent of their elders and/or elected representatives" (Boamah-Wiafe, 1993; p.169). Even in the rigidly controlled kingdom of Dahomey (Benin), Boahen and Webster (1970) found that,

> Although the king's word was the law of the land yet he was not above the law. Dahomeans like to recount how king Glele was fined for breaking the law. When gangs of men were working co-operatively either on state roads or building a house for one of their members, it was a law that a passer-by must approach the leader and make an excuse as to why he could not break his journey to assist in the work. Permission was almost inevitably given, the law being largely designed to reinforce courtesy. King Glele's procession passed one such group without asking to be excused. He was stopped by the headman and fined many cases of rum and pieces of cloth for breaking the law. The fact that the kings of Dahomey [now Benin] were prepared to obey the laws they themselves created was the difference between arbitrary despotism and despotism which realized that its power and position rested ultimately, no matter how indirectly, upon the will of the people (p.108).

The Zulu king also had to obey the law of the land. At the South African Government Commission on Native Law and Custom in 1881, Zulu King Cetshwayo was asked why he did not use his vast authority to prevent girls from being given in marriage sometimes without their consent. The Zulu king replied thus, through an interpreter:

> The King says he cannot alter a law like that, because it has been the custom, in Zululand ever since the nation was created. Every king has agreed to the law and so must he. The nation would say that anyone who tries to change that law was a bad king. Yes, the king would change it if the chief of the land were willing to make a change in that way. If there is a certain law which the king wishes to be known in the country, he declares it at the feast of the first fruits. The king has a discussion with the chiefs about it, and they give out the law, but he cannot make a law without their consent. He consults the chiefs and gives his reasons, and if they conclude to agree to it, it is the law, but he cannot make a law against the wishes of his chiefs. (Olivier, 1969; p.145)

Note the similarity in the Asante and Zulu kingdoms: Without the consent of chiefs or elders, the king could make no law. His authority was also delegated through the bureaucracy to the heads of smaller territorial units, the provinces or principalities. In central Africa, delegation of authority usually amounted to delegation of almost all authority save religious C and on a few occasions, even religious authority was delegated (Bohannan, 1964; p.192). "Most traditional constitutions require the king to delegate almost all of his authority to other leaders and officials. Custom and tradition set limits to the authority of the king, his cabinet, and advisors" (Boamah-

Wiafe, 1993; p. 168). In fact, delegation of authority was necessary for practical reasons. The king's authority "cannot be exercised by any other means over an area larger than a few square miles" (Curtin, et al, 1988; p.31).

The constitutional articles, principles, and economic institutions Africa needs to develop are already there - in traditional Africa. Africa does not need to copy from Jupiter. Enough development by imitation. The continent is already littered with putrid carcasses of failed imported systems. Said *The New York Times* (June 21, 1994):

> "Everywhere the point is the same: Africans cannot just transplant foreign models, like the [Western] parliamentary system, and hope it will take root in native soil. `It's a mistake to copy Western democracies because it's artificial', observed Cyril Goungounga, an engineer and national assembly deputy in Burkina Faso. `Look at the U.S. You elect a President. He's in office for four years, eight years. Then he's out. That's what the Constitution says. We have a Constitution too', he said. `But it doesn't work. It's just a piece of paper. Because we have two civilizations here. The Western one on top, where everything is fine and differences are submerged in talk of national unity. And a parallel one underneath, an African one, where ethnic groups are a reality'" (p.A8).

The real challenge of African development, after independence, was to launch it under indigenous impetus: By modernizing its indigenous institutions -- as the Japanese did to theirs to make them more efficient. Apart from Botswana, African nationalist leaders and elites never met this challenge elsewhere in post colonial Africa. As discussed in Chapter 3, foreign systems and paraphernalia were aped because they were "modern." Traditional Africa was shunned and the peasants held in contempt by the elites. Peasant agriculture was dismissed as an inferior form of occupation. As such, no *organic* development took place from the bottom-up. Instead, what occurred in postcolonial Africa was "development-by-imitation."

The neglect of the traditional sector had dire economic consequences. The most serious was declining food production and the increasing resort to food imports. Africa's foodstuffs are produced by peasant farmers — mostly women – in the traditional and informal sectors. African governments scarcely gave any attention, much less assistance or incentives to these sectors. Worse, the alien economic and political systems Africa's nationalist leaders and elites transplanted into Africa failed to work — a double whammy. The marauding statist interventionist behemoth destroyed Africa's productive base. Price controls killed the incentive to produce and created artificial shortages. Black markets, which never existed in traditional Africa, suddenly emerged, providing rich opportunities for rent-seeking activities and illicit enrichment through bribery and corruption. Civil servants invented "shortages" of application forms in order to extract a bribe. Recall that import and exchange controls were the most lucrative. Ministers demanded 10 percent commission before issuing an import license. The rest is history.

Sustainable, long-term development for Africa - or the blueprint for Africa's prosperity - entails a four-step reform process. The first step involves "changing the driver" -- replacing the corrupt, incompetent sit-tight "life-presidents" with more capable leaders. This is why democracy is important. **Democracy itself does not guarantee economic prosperity; it only ensures that bad economic policies are not repeated by offering** a peaceful means of changing failed leaders through the ballot box. Violent military coups engender political instability and a rebel insurgency could degenerate into destructive civil war. But democracy cannot be imposed from the outside or stage-managed through a series of coconut elections by the incumbent. It must be nurtured internally, which requires freedom of speech, of expression, of the media, of assembly, and of association. Recall that only 8 out of the 54 African countries have a free media in 2003 (www.freedomhouse.org). Asked President Isaiah Afwerki of Eritrea, "**What is free press? There is no free press anywhere. It's not in England; it's not in the United States. We'd like to know what free press is in the first place" (BBC, Sept 11, 2004. Web posted at www.bbc.co/uk).**

Internet Extends Political Debate
By Emily Wax
Washington Post Foreign Service
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Africa is the world's least developed continent, and most rural inhabitants live without electricity or running water. But in some of its poorest and most remote corners, the Internet has become a powerful weapon for rebel and opposition leaders.

In countries where newspapers and radio stations are routinely shut down and dissidents are often jailed, the Internet is also giving ordinary Africans new freedom to debate political and social issues. "The Internet is a war weapon," Aboude Coulibaly, director of the New Forces rebel group in Ivory Coast, wrote in a recent e-mail. In 2002, the group used its Web site and TV station to launch a mutiny that toppled the government. "In these matters of revolution, we have to be wired to win," he wrote.

Taking over state radio and television stations is often the first act of a coup d'etat. But having access to a Web site, e-mail and a Thuraya brand satellite phone has become increasingly important to African rebels to communicate and garner support from abroad.

Some rebel leaders now think of themselves as "cyberdissidents," said al-Nur. Improved and accessible technology has allowed them to send and receive e-mail, create Web sites, and even keep online diaries or blogs, with satellite phones or dishes providing links to anyone who can charge batteries and buy Internet time on scratch cards.

On the whole, Africa is still dominated by radio, and rural families are likely to gather round a rusty transistor or a fuzzy TV screen at the local pub for the evening news.

So far, however, only Tunisia and Egypt have censored access to the Internet and are tracking bloggers in a widespread way, according to researchers. Already, there is advice on the Internet to warn bloggers how to protect themselves.

"Bloggers need to be anonymous when they are putting out information that risks their safety. The cyber police are watching and have become expert at tracking down 'troublemakers,' " wrote Julien Pain, head of the Internet freedom desk at U.S.-based Reporters Without Borders.

"Bloggers are often the only real journalists in countries where the mainstream media is censored or under pressure," he wrote. "Only they provide independent news, at the risk of displeasing the government and sometimes courting arrest."

Lately, governments in Africa have begun paying more attention.

In Ethiopia, Prime Minister Meles Zenawi recently said in an interview in the capital that some of the country's newspapers and blogs were "yellow journalism of

the worst kind. In some cases we have evidence that they were trying to overthrow the government."

The second step requires reforming the modern sector – the source of Africa's problems -- or, failing that, chastened to prevent collateral damage to the traditional and informal sectors. Reform requires democratization, market liberalization, decentralization of power, and repairing dysfunctional systems. The politics of exclusion must be replaced by the politics of inclusion. The elites should seek their wealth in the private sector. Government does not produce wealth; only redistributes it. In addition, the control of key state institutions must be wrestled from the ruling elites and reformed so that transparency, accountability and professionalism can be established. This would require attending to the systemic breakdown by fixing malfunctioning institutions. These six institutions are imperative:

- An independent central bank: to assure monetary and economic stability, as well as stanch capital flight out of Africa. If possible, governors of central banks in a region, say West Africa, may be rotated to achieve such independence.
- An independent judiciary -- essential for the rule of law. Supreme Court judges may also be rotated within a region.
- A free and independent media to ensure free flow of information.
- An independent Electoral Commission.
- An efficient and professional civil service, which will deliver essential social services to the people on the basis of need and not on the basis of ethnicity or political affiliation.
- A neutral and professional armed and security forces.

The establishment of these institutions would solve the majority of Africa's woes. For example, the two effective anti-dotes against corruption are an independent media and an independent judiciary. But only 8 African countries have a free media in 2003, according Freedom House. These institutions cannot be established by the leaders or the ruling elites (conflict of interest); they must be established by civil society. Each professional body has a "code of ethics," which should be re-written by the members themselves to eschew politics and uphold professionalism. Start with the "military code," and then the "bar code," the "civil service code" and so on. These reforms, in turn, will help establish in Africa an environment conductive to investment and economic activity.

The third step entails "cleaning up the environment". Civil wars, armed banditry, corruption, capital flight, and military vandalism must end. Infrastructure must be repaired to ensure reliable supplies of social amenities such as clean running water, electricity, phone service, health care, and education. The rule of law must be enforced. Elections must be free, fair and open. Meritocracy must be upheld in the civil service. Meaningful development cannot occur in a country engulfed by civil war. No one would invest in such a country, except perhaps arms merchants. And it makes no sense to supply foreign aid to build roads, schools, hospitals, and bridges only to have them blown up by rebel insurgents. Nor does it make sense to invest in a country where lawlessness and open plunder of the treasury are the hallmarks of the ruling bandits. These factors are all internal and are all highly interdependent. These internal problems are symptoms of more fundamental diseases. Treating the symptoms without attacking the root causes is an exercise in futility. For example, the root cause of most of Africa's civil wars is power. Rebel soldiers want power. Peace talks only treat the symptoms. The establishment of a mechanism or system for peaceful transfer of political power addresses the root cause.

Once all the three steps have been taken, the fourth step requires laying down a *development strategy* to get from point A (state of underdevelopment) to point B (developed state) *faster.*

Admittedly, each African country is "different" and one size or strategy may not fit all. However, there are enough commonalities to delineate what should *not* be done. It should be obvious that the appropriate development strategy cannot be the failed Aimport-substitution" industrialization strategy of the 1960s. This new strategy must refocus on the traditional and informal sectors. It must be agriculture-based for the simple logic that agriculture is the primary occupation of the vast majority of Africa's peasants.

Take what is there -- in Africa's own backyard -- and build upon, improve upon or modernize it. That should be the command to Africa's elites. Return to Africa's own indigenous economic heritage of free village markets, free enterprise, and free trade. The informal and traditional sectors are where Africa's elites should seek their wealth by actually producing something, rather than jostling for government positions. The crying needs of these sectors for health care, education, sanitation, and communications are really business opportunities for the elites. More importantly, the elites would save their own hide if they made their wealth in these two sectors because, come a change of government, nobody is going to haul them before Commissions of Enquiries or tribunals to explain how they made their wealth.

Sadly, only Botswana returned to its traditional roots and built upon its indigenous institutions. Not surprisingly, AOnly one African country, Botswana, has consistently been well governed since independence. Not coincidentally, average incomes in Botswana have grown faster than anywhere else in the world in the past 35 years, from bare subsistence to over $3,000 a year" (*The Economist,* Jan 17, 2004; Survey; p. 4).

Botswana ought to be the "African model" that should be replicated across the continent B from Zimbabwe to Nigeria. It is preposterous to seek to establish a AMarxist-Leninist" state in any African country. Marx and Lenin bear no relevance to indigenous African heritage.

Changing the Driver (Leader)

Regarding the sequence of steps, a furious debate ("leaders versus institutions") continues to rage over which problem to address first: bad leaders or bad institutions. A failed despotic leader would obviously prevent institutions from being reformed because that would strip him of power and expose his own crimes. If pressured, he would only undertake phony or cosmetic reforms to placate Western donors. Kenya is a case in point: The corrupt Moi regime set up a commission of enquiry in 2000 to satisfy IMF demands and then passed a law to declare that same commission unconstitutional. Progress on corruption began to be made when the Moi regime was tossed out **but then the new Kibaki regime began stalling, prompting violent demonstrations on July 7, 2004.** The chicanery of Africa's despots knows no bounds. To ensure their political survival, some African despots suddenly change their tune, don a reformist garb and become democracy converts. But their brutal past misdeeds strip them of any credibility to advance a reformist agenda and the populace become suspicious of their intentions.

Only new leaders have the credibility and the clean hand to carry out necessary institutional reform. Also, civil society needs to be galvanized as the motivating force behind political reform. The prescription, therefore, is new leadership in tandem with reformed institutions, since the former alone will not suffice. However, in many African countries, fixing the modern sector or the broken state may well-nigh be impossible. Reform of political and economic systems, as well as the country's institutions, is anathema to the ruling vampire elites because they profit from the rotten status quo. They are simply not interested in relinquishing or sharing power. Period.

Reform will threaten their business empires and undermine their political support base. State controls allow them to extract resources to build huge personal fortunes and to dispense patronage to their political supporters. Fear is another factor. With their pockets full of booty and their hands dripping in blood, they fear their gory misdeeds would be exposed if they lose power. Thus, under pressure from external donors, they implement only the barest minimum cosmetic reforms that would ensure continued flow of Western aid. Reform becomes a charade. Accordingly, the democratization process has stalled and economic reform, despite tutelage by and billions of dollars from the World Bank, has produced only a phantom list of economic success stories. Institutions such as the judiciary, the media, the military, and the central bank are yet to be reformed. In short, the Bongos, the Eyademas, the Ghaddafis, the Mugabes, the Nguemas, among others, are just not interested. African mafia states and coconut republics won't reform themselves. **In fact, the modern sector is not reformable. But then again, without genuine reform, more African countries will implode, creating an environment that deters investment, stunts economic development, and more appeals for Western aid. The continent is stuck in a veritable development conundrum. What to do?**

The failed leadership remains an obstacle to reform. "Regime change" — a la Iraq — is out of the question. So is a military coup or a rebel insurgency; both of which are bloody and destructive. Two alternatives suggest themselves. The first is to buy out the ruling bandits. In fact on July 1, 1998, that exact proposal was advanced in Nigeria, where kamikaze plunder by a string of military bandits had reduced a mineral-rich country to rags:

> The proposal [to lay-off officers above the rank of major] was one of many presented to General Abubakar as part of wide-ranging consultations to ease the military out of office without threatening the fragile stability of Nigeria or risking a coup by hard line officers. It urges the regime to spend more than , 1 billion on generous early retirement packages for middle and top-ranking officers. "No one is saying who would be the person to do it [sack most of the officer corps], but there is a widespread feeling that an investment of $2 billion (, 1.2 billion) or $3 billion on ensuring that the clear-out would be painless C in return for a democratic future C would be money well spent. Consider the enormous cost of the last five years of military rule, in terms of lost investment, money stolen by government members, human lives destroyed and deaths", one of General Abubakar's advisers said. (*Times Newspapers,* July 1, 1998; p.4).

In Guinea, Athe government bought off angry soldiers threatening to mutiny by giving them $7.6 million after an emergency meeting among the ministers of finance and planning and the central bank governor" (*The Washington Times*, June 24, 1999; p. A16). Or consider Zimbabwe, where the tyrannical and erratic rule of President Robert Mugabe had not only wrecked the economy but also caused more than $37 billion worth of damage to neighboring countries. Would $500 million be too much to buy out Mugabe and his thugs and send them off to Jupiter?

Outlandish as it may seem, even the United Nations Secretary-General, Kofi Annan, proposed the buy out option in a series of reforms, not only calling for the elimination of some of the United Nations outmoded institutions, wuch as the discredited High Commission on Human Rights – on which Cuba, Sudan and North Korea sat – but also reform of the U.N. Secretariat itself. As the *Washington Post* (April 1, 2005) noted in an editorial: "Mr. Annan has proposed a one-time senior employee buyout to 'refresh and realign staff to meet current needs,' a euphemistic way of saying that he understands that the organization is top-heavy with political appointees" (p.A26).

The second strategy is to give up or bypass the modern sector, focusing on the traditional and informal sectors. For decades, much effort and billions of dollars have been spent to cajole, bribe, and browbeat the ruling elites to reform the modern sector with negligible results. The law of diminishing returns militates against pumping more money to reform the modern sector. Greater returns can be achieved elsewhere with little investment in the informal and traditional sectors. Besides, the modern sector will eventually implode anyway since the ruling elites refuse to come to their senses to save themselves. If after more than 40 years of independence from oppressive colonial rule and if after decades of "education" the ruling elites still have no grasp of such elementary concepts as "freedom", "democracy", "the rule of law", "accountability", "decentralization", and "devolution of authority", they are beyond redemption. One only has to ensure that the implosion of the modern sector is contained, with little collateral damage to the informal and traditional sectors.