

Addressing Poverty in Africa: Principles and Pitfalls”

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A. Introduction

There are 55 countries in Africa; most of them are not doing well, despite the immense mineral wealth of the continent. Name the mineral and you will find it in Africa – gold, diamonds, palladium, coltan. Despite its immense wealth of mineral resources, Africa remains inexorably mired in abject poverty, misery, deprivation, and chaos. When the World Bank adjusted its yardstick for extreme poverty from \$1.00 to \$1.25 a day, it found that,

“While most of the developing world has managed to reduce poverty, the rate in Sub-Saharan Africa, the world’s poorest region, has not changed in nearly 25 years, according to date using the new \$1.25 a day poverty line. Half of the people in Sub-Saharan Africa were living below the poverty line in 2005, the same as in 1981. That means about 389 million lived under the poverty line in 2005, compared with 200 million in 1981” (*The New York Times*, Aug 27, 2008; p.A7)

Back in 2003, the United Nations Development Program (UNDP) warned that at the prevailing rates it would take sub-Saharan Africa another 150 years to reach some of the Millennium Development Goals (MDG) agreed to by UN members for 2015. (*Financial Times*, July 9, 2003; p.1). Former U.N. Secretary-General, Kofi Annan, declared at the African Union Summit in Abuja in January, 2005, that Africa was failing to meet its Millennium Development Goals (MDGs). This was echoed by the United Nations’ African Development director, Gilbert Houngbo, in Congo-Brazzaville: “The [African] continent will fail to reach the goal of slashing poverty in half by 2015” (*The Washington Times*, April 26, 2007; p.A14).

Fewer than 10 of the 55 African countries are economic success stories; fewer still have a free and independent media. In 1990, only 4 African countries were democratic; today the number is 13 – 9 additions in 23 years. At this rate it will take Africa over a century to become fully democratic. Africa has more dictators per capita than any other continent. And get this: No dictator has brought lasting prosperity to any African. There is no such thing as a benevolent dictator; the only good dictator is dead one.

There is a new buzz circulating around Africa: “Africa Rising,” “Africa is the Fastest Growing Continent,” the IMF and the World Bank predict that Africa’s rate of growth will clip 5.1 percent this year – the fastest average rate of growth in decades. Is Africa really turning the corner and lifting its people out of poverty? Is Africa rising because it has adopted free market policies?

Much of this is just hype and it is the first pitfall to be avoided because it is the favorite gambit of Western donors, multi-lateral financial institutions and organization. After pumping more than \$600 billion into Africa since 1960 with little to show for it, these organizations are desperate for a success story. Baby steps are hailed as giant strides.

Each year, the World Bank trots out a phantom list of African success stories – only to see them vanish in a year or two. Remember Ivory Coast? It was once described by the World Bank in the early 1990s as an economic miracle. Then in 2000 and 2005, it descended into brutal civil war. Back in 1994, the World Bank hailed Gambia, Burkina Faso, Ghana, Nigeria, Tanzania and Zimbabwe as economic success stories. Well? Only one – possibly Ghana -- remains on that list. Even then Ghana's designation as a success story is dubious as it faces a looming economic crisis and the country seems to be drifting:

- Of the countries in the world with a free press, Ghana has just been ranked the third most corrupt by Gallup.
- The country's growth rate is slowing down. The 14.4 percent rate of growth chalked up in 2011 is now down to 7.1 percent;
- Debt levels are unsustainably high: Total debt is 49.3 percent of GDP; the 2013 budget deficit is 12 percent of GDP
- Fitch, an international credit rating agency, has twice downgraded the country's bond rating from B+ to a B;
- The IMF has warned the country is approaching a Highly Indebted Poor Country (HIPC) status;
- Foreign donors have cut budgetary support for Ghana;
- The Government is broke; it has no savings to finance capital expenditures;
- The people are suffering severe economic hardships and are losing confidence in the ability of the government and its institutions to resolve the looming crisis;
- The national Trade Union Congress has set Nov 18, 2013 as a date for a national strike to protest exorbitant utility tariffs;

Uganda, once touted as an African economic success story, is in a similar boat. Corruption has careened out of control. On Nov 8, 2013, Britain suspended aid to Uganda with immediate effect over allegations of fraud. As the Guardian (Nov 17, 2013) reported,

“In the 1990s the Ugandan president, Yoweri Museveni, was considered an aid darling among donors for his swift response to the Aids crisis and his efforts to stabilize the country after decades of political turmoil and repression under Milton Obote and Idi Amin. But his reputation has dimmed in recent years because of his heavy-handed tactics in dealing with political opposition and following accusations that he has been arming troops in the Democratic Republic of the Congo. He changed Uganda's constitution to allow him to run for office after more than two terms. In 2005, the UK diverted £15m of aid meant for the Ugandan government to be channeled through the UN over alleged rights abuse, and withheld an additional £5m until fair, multiparty elections were held.”

Back in 1986 when he assumed power, he declared that, “No African head of state should be in power for more than 10!” He was hailed by former President Bill Clinton as one of the new leaders of Africa, taking charge of their own backyards. But Clinton left office and Museveni is still in office. Until recently, Egypt, Tunisia and Mali were also highly celebrated. And then . . .

To be sure, there are economic success stories in Africa: Benin, Botswana, Ethiopia, Ghana, Mauritius, Rwanda, Sierra Leone, to name a few. But they are few – fewer than 10 of the 55

African countries. Moreover, the success stories are “small countries” without the locomotive heft to pull the rest of the continent out of its economic miasma.

Second, it is indeed true that Africa is growing rapidly but does not mean Africa is developing. A clear distinction must be made between the two. Economic growth is simply straight-forward increases in the national pie (GDP) but economic development is much broader. It relates to improving the lot of the average poor person on the street or improving their standard of living. Economists generally take income per capita as a measure of standard of living but it is not adequate. An increase in the standard of living requires not only a growing national pie (economic growth) but also with the proviso that:

- The population is not increasing rapidly;
- Prices are not rising rapidly (hyper-inflation per Zimbabwe);
- Unemployment is not soaring;
- Distribution of income, social inequality or disparity is not worsening;
- There are also qualifiers regarding access to social services (education, health, clean water, electricity, sanitation, etc.), pollution, environmental degradation, crime, etc. which all affect standards of living.

Several African countries – such as Angola and Nigeria – have experienced “growth without development.” Last year, Angola chalked up the fastest rate of growth in the world at 17.9 percent. But 60 percent of the people live in poverty (less than \$1 a day). In addition, youth unemployment is growing rapidly in Africa, as well as social inequality, fueling discontent and mass protests. Remember it was an unemployed youth, Mohamed Boauzizi who sparked the Arab Spring.

Third, the growth Africa is experiencing is not due so much to deliberate domestic policy changes but to a boom in commodity/resource prices and increased trade with China. China's overall trade with Africa rose from \$10.6 billion in 2000 to \$55.5 billion in 2006, a jump of 40 percent from the previous year, propelling Africa's growth rate to 5.8 percent in 2008; its best performance since 1974. It has now reached \$120 billion and China is now Africa's third largest trading partner after the U.S. and France, importing a third of its crude oil from Africa.

However, there is growing evidence that the benefits of this increased trade have been lop-sided. Africa exports the minerals and imports cheap textiles and consumer goods from China to destroy its own local infant industries.

The influx of cheap Chinese goods and workers has had a devastating impact on local economies. Textile industries in Kano, Lesotho, and South Africa have been destroyed by cheap Chinese textile imports. Hundreds of thousands of Africans have lost their jobs in northern Nigeria, Lesotho, and South Africa.

Clothing manufacturers in Lesotho, Nigeria and Zambia complain bitterly of cheap Chinese goods destroying their markets and jobs. In Nigeria, the influx of Chinese products has devastated Kano's manufacturing sector. In 1982, 500 factories churned out textile products in Kano, but fewer than 100 remain operational today, most at far less than full capacity. Kano's Kwari textile market, the biggest in West Africa, has swelled with stall after stall of Chinese

fabrics and clothing. A decade ago, 80 percent of the fabric sold at Kwari was made in Nigeria, compared with 5 percent now. There are more beggars and other visible signs of poverty in Kano than ever before. It is not far-fetched to link the collapse of the textile industry in northern Nigeria with the rise of the terrorist group, *Boko Haram*.

Unable to compete with Chinese imports, textile factories in Lesotho closed in 2003 and 2004, throwing over 5,000 workers out of their jobs. In South Africa, the textile union said some 100,000 jobs have been lost as Chinese synthetic fabrics replace cotton prints in street markets across Africa. In 2007, the unions threatened to boycott anyone selling Chinese products.

In Ghana, “there were more than 20 textile firms that employed more than 20,000 people in 1995. In 2012, the industry has only 4 textile factories, employing less than 3,000 Ghanaians. The country’s once thriving textile market is now flooded with Chinese substandard textile products, therefore surging the unemployment rate. The situation has further deteriorated with the textile companies currently in operation now employing some 2,961 people” (*Daily Graphic*, April 30, 2012; p.40).

The initial enthusiasm that greeted China in Africa has now cooled. “There is mounting objection to China’s deepening forays into Africa” said *News Africa* (March 2007). Former President Thabo Mbeki of South Africa warned against allowing China’s push for raw materials to become a “new form of neo-colonialist adventure” with African raw materials exchanged for shoddy manufactured imports and little attention to develop an impoverished continent. Rene N’Guetta Kouassi, the head of the African Union’s economic affairs department echoed this warning: “Africa must not jump blindly from one type of neo-colonialism into Chinese-style neo-colonialism” (*AFP*, Sept 30, 2009).

B. The other pitfalls in the attempts to help Africa.

Helping Africa is noble and over the past several decades various efforts have been made by so many donors, international institutions and organizations to help Africa but most of them came to grief. To be sure, efforts to help Africa should continue but pitfalls must be avoided. Several can be identified.

1. Shed Political Correctness; Africans Want Straight Talk

There are many who for reasons of political correctness do not want to speak ill of Africa or criticize its leaders for fear of being labeled “racist.” But you cannot help Africa if you are not willing to talk honestly about Africa. Africans themselves know that their continent is suffering from catastrophic leadership failure. Since 1960, there have been exactly 227 African heads of state but one would be hard pressed to name just 20 good leaders. Even if you can name them, it means the vast majority were utter failures – an assortment of Swiss bank socialists, Jaguar Marxists, quack revolutionaries, crocodile liberators, vampire elites, and briefcase bandits.

2. Avoid an Obsession with the Rhetoric and Charisma of the Leaders. Focus on institutions.

In the past – especially during the Cold War – the West has shown a tendency to embrace just about any African leader who professes himself to be anti-communist. Examples abound: Mobutu Sese Seko of Zaire (now Congo DR), Samuel Doe of Liberia, Daniel arap Moi of Kenya, to name a few.

Many of Africa's charismatic leaders have played the West for a sucker, alleging that the causes of Africa's post colonial stagnation were often attributed by African leaders to hostile external factors – such as inadequate foreign aid, an unjust international economic system, the lingering effects of the slave trade, Western colonialism and imperialism. Mugabe continues to blame British colonialism for his country's woes.

Indeed, the West responded by pumping more than \$600 billion has been pumped into Africa since 1960 but there is little to show for it. Further, there have been various grand initiatives to rescue Africa. Indeed, Africa's plight tends to follow a ten-year attention deficit cycle.

Every decade or so, a cacophonous galaxy of rock stars, anti-poverty activists, and African heads of state gather to draw up mega-plans for investment in Africa. Rock concerts are held to whip up international enthusiasm for rescue mission for Africa. Demands are made: Total cancellation of Africa's crippling \$650 billion foreign debt and demand more foreign aid. Acrimonious wrangling over financing modalities ensues. Years slip by, then a decade later, another grand Africa initiative is unveiled. Back in 1985, there was Live Aid and a "Special Session on Africa" held by the United Nations to boost aid to Africa. Then in March 1996, the U.N. launched a \$25 billion Special Initiative for Africa. All these initiatives fizzled.

In 1998 when former U.S. President, Bill Clinton, made a historic trip to Africa, he painted a rosy portrait Africa, making giant steps. He hailed Meles Zenawi of Ethiopia, Isaias Afewerki of Eritrea, Laurent Kabila of Congo DR, Paul Kagame of Rwanda and Yoweri Museveni of Uganda as the "new leaders" of Africa, taking charge of their own backyards. Barely two months after his return to the U.S., Ethiopia and Eritrea were at war and the rest of the so-called new leaders were at each other's throat in Congo's war.

In 2005, former British Prime Minister's, Tony Blair's, declared 2005 as the "Year for Africa" and established a Commission on Africa to raise US\$50 billion (euro38 billion) a year on the C. international capital markets, which Tony Blair made the centerpiece in Britain's presidency of the G-8 meeting in Gleneagles, Scotland in July. The G-8 leaders, meeting in Gleneagles, Scotland, pledged to write off \$40 billion of poor nations' debts and to double aid to Africa to \$50 billion by 2010. The U.N. weighed in with a conference in September with clockwork precision. France proposed an international tax on financial transactions, or items such as plane tickets while Japan favored a US\$200 million fund to nurture private sector companies in Africa to improve the continent's investment climate and credit rating.

The solutions to Africa's problems lie within Africa, not along the corridors of the World Bank or the inner sanctum of the China's politburo. It entails retuning to and building upon Africa's own heritage of free markets, free enterprise and free trade. There were free village markets in Africa before the colonialists stepped foot on the continent.

3. Government is the Problem, not the Solution

Africans know exactly what ails their continent. A tribal chief in a rural farming community in Lesotho summed it up beautifully: "We have two problems: rats and the government" (*International Health and Development*, March/April 1989; p. 30). To solve Zaire's economic crisis, Amina Ramadou, a peasant housewife, suggested: "We send three sacks of angry bees to the governor and the president. And some ants which bite. Maybe they eat the government and solve our problems" (*The Wall Street Journal*, Sept 26, 1991; p. A14).

But somehow, Western donors and multi-lateral financial institutions have an abiding faith in the capacity of African governments to reform themselves. They have tried everything to cajole, persuade and even bribe African leaders to reform their abominable systems but to little or no avail. Still, they continue to form "partnerships" with African governments. From 1981 to 1991, the World Bank spent \$25 billion sponsoring economic reform (Structural Adjustment) in 29 African countries. The Bank was literally "bribing" African governments to reform their abominable economic systems. But they took the money and did the "Babangida boogie" – one step forward, three steps back, a flip and sidekick to land on a fat Swiss bank account. Only 6 were deemed to have been economic success stories: Gambia, Burkina Faso, Ghana, Nigeria, Tanzania and Zimbabwe. But within two years most had vanished from that list. Yet, each year the World Bank keeps trotting out another phantom list of economic success stories.

The Clinton administration made another effort in 1997 to jumpstart Africa's economics with the Africa Growth and Opportunity Act (AGOA) with bipartisan support. This sought "to create a transition path from development assistance to economic self-sufficiency for sub-Saharan African countries." The slogan was "Trade, Not Aid." But AGOA didn't fare any better and quietly faded away.

The Bush administration made yet another effort in March 2002 with the "Millennium Challenge Account" (MCA), which would complement existing aid programs by providing additional grants to governments in developing countries that "rule justly, encourage economic freedom, and invest in people." Each of the three broad category areas has sub-categories – a 16 overall total -- that must be satisfied for a country to be deemed eligible. However, the benchmarks were so stringent that few African countries could meet them. So the MCA "approved an \$11 million grant to Tanzania to combat corruption and qualify for a bigger aid package" (*The New York Times*, Feb 2, 2006; p.A13). And how successful was Tanzania in fighting corruption?

Alas, when President Bush visited Tanzania on Feb 18, 2008, he found that the country which was receiving \$698 million in MCA grant had no cabinet. The entire Cabinet had been dissolved over a corruption scandal, involving the award of \$172.5 million electricity contract to a Texas based company that did not exist. Even the anti-corruption czar, Dr Edward Hosea, was himself implicated! Other African countries that had received MDC grants were dubious "success stories." Among them were Kenya and Uganda.

It is clear that the vampire state or the coconut republic must be reformed and replaced with a well-functioning state. To establish one, reform is needed in many areas -- in the political

system, the economic system, the judiciary system, the educational system and the electoral system, to mention a few. But, as we have seen, reform is anathema to the ruling vampire elites.

- Ask them to privatize inefficient state enterprises and they would sell the companies to themselves and their cronies at fire-sale prices. In 1992, in accordance with loan conditionalities, the Government of Uganda began a privatization effort to sell-off 142 of its state-owned enterprises. However, in 1998, the process was halted twice by Uganda's own parliament because, according to the chair of a parliamentary select committee, Tom Omongole, it had been "derailed by corruption," implicating three senior ministers who had "political responsibility" (*The East African*, June 14, 1999). The sale of these 142 enterprises was initially projected to generate 900 billion Ugandan shillings or \$500 million. However, by the autumn of 1999 the revenue balance was only 3.7 billion Ushs. According to Muhammad Al Ghanam, the former director of Legal Research in Egypt's Ministry of Interior, corruption in Egypt has reached unprecedented heights in Mr. Mubarak's government in the name of privatization and the change to a market economy. He noted:

"The government has sold the greater part of public-sector companies for less than a quarter of their worth to businessmen working for either Mr. Mubarak's sons or foreign companies in return for huge commissions for the Mubaraks and top government officials.

To obtain a high position in the Interior Ministry and the Intelligence Ministry, it is necessary to be involved in corruption, and being condemned by courts for corruption is an asset. Through corruption, Mr. Mubarak secures the loyalty of heads of the security departments, making sure they will execute his policies and oppress his political adversaries.

Mr. Mubarak has encouraged those ministries to loot public money by forming companies that offer construction services and, contrary to the law, are given deals by the state for huge sums, in some cases 20 times the amount offered to competing companies. These funds are then distributed among the top people at those ministries.

The Mubarak era will be known in the history of Egypt as the era of thievery (*The Washington Times*, June 9, 2002; p.B2).

- Ask them to develop their economies and they will develop their pockets. Ask them to seek foreign investment and they will seek a foreign country to invest the loot.
- Ask them to enforce the rule of law and they would force the law to respect their whims. In January 2000, the ruling party's (KANU's) gang of thugs known as *Jeshi la Mzee* ("the old man's army"), attacked a group of opposition leaders outside parliament who were protesting against the resumption of IMF assistance. "It was the protesters, not the thugs, who were arrested" (*The Economist*, Feb 5, 2000; p.42). Said *The Economist* (March 16, 2002): "In Zimbabwe, the thieves are in charge and their victims face prosecution" (p.18). In 2000, Zimbabwe's Supreme Court ruled that invasions of white commercial farmlands by "war veterans" did not constitute a workable form of land redistribution -- a position, which was affirmed by a Commonwealth agreement struck in Abuja, Nigeria in September, 2001. But President Robert Mugabe tossed the agreement aside, reconstituted the Supreme Court by packing it with pliant judges who then ruled on Dec 6 2001 that the barbaric and violent land invasions were legal (*The Economist*, Dec

8, 2001; p.45).

- Ask them to trim their bloated bureaucracies and cut government spending and they will establish a “Ministry of Less Government Spending.” Ask them to establish a market-based economy and place more emphasis on the private sector and they will create a “Ministry of Private Enterprise,” as Ghana did in 2002. Aided by a gaggle of vampire elites, they resist any attempt at reform. Said Osasu Obayiuwaa, a Nigerian reporter, "Many high profile figures in the current dispensation colluded with previous military regimes and civilian regimes in plundering economic resources. Not surprisingly, they have no interest in altering the status quo that gave them the ill-gotten wealth" (*New African*, Dec 2001; p.26.)
- Ask them to reform their abominable political and economic systems and they will perform the "coconut boogie." Ask them to establish democratic pluralism and they will create surrogate parties, appoint their own Electoral Commissioners, empanel a gang of lackeys to write the constitution, inflate the voter's register, manipulate the electoral rules and hold coconut elections to return themselves to power. Even African children could see through this chicanery and fraud. Said Adam Maiga, from Mali: "We must put an end to this demagoguery. You have parliaments, but they are used as democratic decoration" (*BBC News* website, May 10, 2002).

Reform becomes a charade. The reform process has stalled through vexatious chicanery, willful deception and vaunted acrobatics. The ruling vampire elites are just not interested in reform because they benefit from the rotten status-quo. But without reform, more African countries could implode.

Please don't tell them that free markets will solve their problems; else, you will see a Ministry of Free Markets. Imagine. These guys never even understood what socialism meant, so how can they implement capitalism? Indeed, the size of the government has grown so rapidly that it is suffocating Africa's economies. They claim they endorse private sector development; yet they pursue policies that kill the private sector.

Ghana with a population of 25 million has 97 cabinet ministers and deputy ministers. Kenya has 94 and Zimbabwe has 78. The US with a population of 320 million has 40 Secretaries and Assistant Secretaries. In Africa, each minister of MP enjoys a whole range of perks and allowances. In Nigeria, a Senator takes home a cool \$2 million in salary and perks; in Kenya, an MP takes home over \$350,000 – more than Obama's salary.

4. Avoid The Modern Sector, It is Beyond Redemption

An African economy consists of 3 sectors: the modern, the informal and the traditional sectors. The modern sector, in the urban areas, is the seat of government and the abode of the parasitic elite minority. That sector is a meretricious fandango of imported systems the elites themselves do not understand. It is lost and has been the source of most of Africa's problems because that is where power is centered and that is where the elites struggle for power, often resulting in violence that spills over and claims innocent victims in the other sectors. The traditional or the rural sector is the home of poor African peasants. Stuck in between the traditional and the modern is the informal sectors. The vast majority of poor Africans can be found in the informal

and traditional sectors. You cannot develop Africa by ignoring these two sectors but that was precisely what the ruling elites did in post colonial Africa.

They channeled much foreign aid and development resources into the modern sector where they lived, neglecting the informal and the traditional sectors. Agriculture, for example, is the backbone of the rural/traditional sector. The neglect of that sector led to the decline of Africa's agriculture. Back in the 1960s, Africa not only fed itself but exported food as well. Today, Africa imports food worth about \$20 billion – just about the same amount Africa receives in foreign aid. In other words, Africa relies on foreign aid to feed itself.

Real people-oriented development never took place in much of post colonial Africa. What occurred was elite-driven “development-by-imitation.” London has double-decker buses; so too must we in Lagos and Accra. New York has skyscrapers; so too must we in the middle of nowhere in Africa. Rome has a basilica; so we built one in Yamassoukrou, Ivory Coast. The list of such unimaginative aping is endless. The African continent is littered with the putrid carcasses of such failed imported paraphernalia.

So, which sectors should be developed rapidly in Africa? Obviously, the informal and traditional sectors but they are being left behind. Those who wish to help Africa need to focus on these two sectors. I am doing my part to steer young African entrepreneurs whom I call the Cheetah Generation to venture into the informal and traditional sectors to engineer real people-oriented development at the grassroots. They are Africa's salvation.

In summary, what Africans want from you is straight talk. Exactly a week ago, I called a press conference to hammer the government on its bloated bureaucracy on Nov 7. Cut the size of the government, I yelled.

The next day, the Government-owned saily, Daily Graphic, gave me a front page coverage. Here it is.

Thank you.

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