

Inter Region Economic Network

Topic: The Future of Africa in the World

By: James Shikwati

Director Inter Region Economic Network

CEO *The African Executive*

Email: james@irenkenya.org

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Abstract

I examine whether Africa needs development aid and the effect of this type of aid on development in Africa. My criticism against aid should be approached with a clear mind; I am not discussing humanitarian aid, dispensed during natural catastrophes that are beyond the human control. Humanitarian aid in this sense ought to be measurably provided. I also discuss two schools of thought that seek to tackle the African problems; the externalists and the internalists. Many arguments raised in my discussion are sourced from various sources indicated in the references. My conviction is that the African problem can best be solved by the African people.

Background

Africa, the World's second largest continent after Asia, has 54 independent countries; 48 on the mainland and 6 island states. Africa's estimated population of 800 million is expected to rise to 1.8 billion by the year 2050.¹ The continent is divided by boundaries of nation states, ethnic identities, class distinctions, urban and rural experiences, geographical barriers, and vast distances.² Prior to colonialism, numerous kingdoms based mostly on tribal leadership existed in Africa. The onset of colonialism in 1830 witnessed European statesmen and diplomats bargain over acquisition of Africa. As Martin Meridith observes, "When marking out the boundaries of their new territories, European negotiators frequently resorted to drawing lines on the map, taking little or no account of the traditional monarchies, chiefdoms and other African societies that existed on the ground."³ The Bakongo for instance were partitioned between the French Congo, Belgian Congo and Portuguese Angola while Somaliland was carved between Britain, Italy and France. Martin estimates that the new boundaries cut through 190 cultural groups in Africa, putting together different groups with no common history in one enclosure in some cases. African people and land were traded among the European powers like a chess game, giving birth to the current 54 nation states.

The African continent was not empty and waiting to be 'discovered' by Whites. Eleven million Africans were exported to the Americas as slaves. It is estimated that by the time of colonialism, there were 90 million Africans in the continent forming 10.9%⁴ of the World population in 1800.⁵

The European colonial powers were keen on partitioning the continent to extract resources. Their quest for gold, diamonds and ivory clearly devastated the environment, tribal and economic set up. They set up institutions that subjected and scuttled the entrepreneurial spirit of the natives. Railways and roads were constructed to transport minerals and other raw materials from the African interior to its ports for shipping to

¹ Fick, David; 2002-*Entrepreneurship in Africa* p.1

² Martin p. and O'meara; 1995 *Africa* p.4

³ Ibid. p 1

⁴ http://www.anthonline.com/africa_population_history.htm[March 5, 2006]

⁵ http://www.anthonline.com/africa_population_history.htm[March 5, 2006]

Europe.⁶ The partitioning of Africa still haunts the virtues of free trade to date. Fifty years down the line, Africans are still grappling with institutions inherited from colonialists in their quest to develop economically.

Findings prove that hundreds of years before Africans came into contact with the white people, the African's knowledge of science and technology was highly developed, in some cases to a level not even yet currently attained in the west.⁷ Great advances had been made in the fields of metallurgy, astronomy, astrology, mathematics, agriculture, navigation, medicine, writing, architecture and engineering.⁸ One of the earliest forms of literacy in the world, the hieroglyphic writing of ancient Egypt, was invented by Africans around 3000 B.C. These ancient accounts give a vivid and intimate picture of this great African civilization during the nearly three millennia of its existence. South of Egypt, the Kushitic civilization, had its own form of writing five centuries or more before the birth of Christ, while in neighboring Ethiopia, Ge'ez, the classical language of ancient Axum, was being expressed in written form by the fourth century A.D.⁹ In his discussion on the African Economic History, Thomas Sowell notes that Africans engaged in animal husbandry long before the Europeans came. Clothing was manufactured in Africa more than a thousand years before European colonization.¹⁰

Introduction

Over half a century, despite receiving development aid, Africa is more indebted and economically disoriented. Before the international aid industry started, Africa had its own economic islands that concentrated near lakes, rivers, mining areas, and coastal harbors. Mercantilist driven globalization set foot on the continent in the late 17th century giving way to colonization; disrupting traditional economies and partitioning Africa.

The massive colonial withdrawals from Africa in the 50s and 60s led to technological breakdown, failing economies and political chaos. However, Africa is not the only continent that was ever colonized. Historical facts point out that Britain suffered massive economic and political retrogression when the Roman rulers withdrew, but later picked up.¹¹ To Africa, colonization enabled tribal nations that had never known what existed beyond the mountains and the jungle, to suddenly become aware of the vastness of their continent and of its richness in terms of people and sub-surface wealth.

Development aid comes in form of loans, grants and Official Development Assistance. Aid can be tied: a recipient country may face a condition where it must procure goods and services from the donor country. The concept of aid to Africa was invented as a strategic tool in the Cold War efforts to ensure that developed countries' industries get

⁶ Commission for Africa; 2005. p.25

⁷ Sertima, I.V :1999, Paper adapted by Nengo K. (2004) in Reclaiming Africa p.51

⁸ Ibid p.52

⁹ Martin, P. and O'Meara P.;1995 *Africa*, p.73

¹⁰ Sowell T. (1998) pg 113

¹¹ Sowell .T. ;1930. *Conquests and Cultures* , p.25

subsidized in Africa, to basically maintain dominance and influence. Aid was meant to prevent massive migrations from poor nations to the wealthy countries. It has sustained the colonial era boundaries and subsidized developed countries' mode of economic organization, without giving Africans a chance to build their own development institutions. Aid benefits the donors (supply side), the African ruling elites and middle classes. It crowds out genuine private sector initiatives giving rise to politically driven private sectors. Consequently, whenever change of government occurs in Africa, a substantial change in its private sector takes place too. Africa in the long run benefits little in the aid industry because international extractive industries, banks, auditing firms, local branches of foreign contractors and consultants among others, gain from aid.¹² Paradoxically, it is not in the interest of the aid industry to promote African homegrown solutions, because it feeds on the African problem.

The majority of African countries are heavily dependent on aid, 34 being categorized as Least Developed Countries (LDC) in the world.¹³ Over 50% Uganda's and Tanzania's national budgets are run by aid. In such cases, the leadership has little incentive to listen to their electorate but donors. Most government experts in Africa spend close to 60% of their time negotiating with donors. Once they secure the loans; they spend an estimated 30% of their time filing audit reports. A former finance minister in Kenya spent 75% of his time with donors while Tanzania churned out 2,400 reports and studies on different aspects for donors in 2001 alone.¹⁴ Aid thus leads to little time being spent on unearthing homegrown strategies to problems afflicting each country. Tied aid is even worse: donor countries condition recipient nations to purchase material and consultancy from them, facilitating a re-exportation of the aid money. The World Bank estimates that tied aid reduces the value of intended assistance by 25%¹⁵. Between 1986 and 1990, there was a net transfer of \$ 4.7 billion to IMF and the World Bank. It is estimated that Africa loses \$20 billion in capital flight.

Aid fuels conflicts in Africa. In 1998, Africa suffered 11 major conflicts. The same year, U.S.A weapons to Africa totaled \$ 125 million. Many of the countries engaged in serious conflicts over the past 50 years received weaponry amounting to an estimated \$ 1.5 billion from U.S.A alone. For a continent struggling to build institutions that can promote trust and thereby enhance trade, investment in war efforts is counterproductive.¹⁶ Africa spends \$ 15 billion on arms and military; \$ 18 billion on food imports and another \$ 216 billion on unquantifiable leakages.¹⁷

The Future of Africa

The most useful aid that rich nations can give to Africa would be to dismantle the 'prisons of poverty' that thrive on colonial inherited boundaries. Europe can make

¹² Cooksey B. ;2004. *Elixir or Poison Chalice? The Relevance of Aid to East Africa*, p.7

¹³ United Nation Conference on Trade and Development ;2005

¹⁴ Erixon F.;2003, *Poverty and Recovery in The History of Aid and Development in East Africa* , p.31

¹⁵ www.worldbank.org/research/aid/overview.htm [7th March 2006]

¹⁶ www.worldpolicy.org/projects/arms/reports/congo.htm.

¹⁷ Ayittey G.,2005 *Africa Unchained* , p.326

colonial history positive by ensuring that a new Africa, that operates as one huge market takes effect, consequently taking credit for opening up Africa. The modern day globalization is supposed to help Africans join the competitive world. Stopping aid that sustains the status quo and pushing for a business climate that is favorable to both local and international entrepreneurs is the best way to help Africa.

Faced with poverty, disease and dysfunctional political systems, Africans have been migrating in their thousands to wealthy nations. This inter-link, coupled with recent realization by a number of early migrants who left Africa as slaves, that they must turn Africa around is leading to a build up of trading and business environment in Africa. Some nations in West Africa, have gone an extra mile to offer incentives to such migrants to come back and invest in Africa. Modern day African migrants with strong ties with their families are going to have a huge impact on Africa in terms of business and culture. They are supporting their immediate relatives through remittances of an estimated \$ 4 billion in official figures¹⁸ while at the same time exposing them to new ways of perceiving life.

Africa's 54 countries with a population of 800 million people offer a great opportunity to innovators. The current state of affairs where each nation state creates its own business environment and legal system makes it difficult for both African and international entrepreneurs keen to tap the African market to invest. Practically, it is a gigantic task to address 54 different legal procedures and business climates to tap the huge market. Africa should make use of liberalization to open herself to business. No individual African country should take the path of protection. Protecting a continental market would make more sense than tiny fragmented nation-markets.

Liberalization offers an opportunity for African entrepreneurs to address a market of an estimated 800 million people. African leadership and political thought is slowly being influenced towards the direction of integrating the African market. Regional groupings such as the East African Community (EAC), Economic Community of West African States (ECOWAS), Common Market for Eastern and Southern Africa (COMESA), Southern Africa Development Community (SADC), the New Partnership for Africa's Development (NEPAD) and the African Union (AU) point to the quest for integration of the African market.

Orienting the average African from a village to continental focus will play a crucial role in addressing negative effects of ethnicity. Focusing on a bigger market will also provide an opportunity for Africans to invest in invisible wealth and stop fighting over land and solid minerals. Investing in the communication sector, leading to increased access to telephony services, radio, television and print media will reduce despotism that thrives on people's ignorance.

Africa is the last frontier of investment. Many businesses will turn to Africa for labor, natural wealth and consumers. Asia is going to be a big partner in encouraging the

¹⁸ Commission for Africa pg 114

continent to engage in medium level commercial activities as they enter into the hi-tech industries that are now predominantly European and North American. The inter linkage of these three major centers of economic activity with Africa will make the continent a center of commercial activity that will play a leading role in World Trade Organization (WTO) initiatives, not only in terms of votes but in terms of offering avenues for trade.

Africans and the rest of the world must take advantage of the fact that a prosperous Africa is good for the world. Africa offers an incubator for investment, as governments pull out of business. Africa also plays a major role as a sounding board for civil society world wide in terms of influencing debate on climate change, conservation, poverty, the role of business and the role of developed countries in the global village.

Stopping Aid

If aid was stopped, the political elites would be the first casualties, as their power structure would be disrupted. The quest to get an African solution would arise; African countries would wake up to the reality that their neighbors can trade with them; Local entrepreneurship would take over to solve African problems; Institution building to harmonize operations in the 54 African countries would be set in motion and a genuine private sector emerge to tackle problems such as illiteracy (education), health and famine. Stopping aid will not wipe Africans from the face of the earth: they will simply resume their business. Stopping aid will bring to the fore the fact that most international agencies have been using the African plight to fundraise and give an emotional touch to the aid industry.

Left free to solve its own problems, free to choose solutions on its own, Africa will definitely be a prosperous place to be. Little in terms of economic gain and prosperity will be achieved through decades of blaming history, crying and generation of a guilt conscience to the developed countries. Africans must take responsibility and steer the continent to greater heights of prosperity by engaging the business community world wide.

Foreign Aid to Africa

Although Government to government assistance has played an important role in developing infrastructure in Africa, it has also played a major role in eroding political and economic entrepreneurship. The basic arguments in support for aid is that it provides additional finance to poor countries to enable them achieve economic and social development. It is argued that aid is sanctioned democratically by the citizens of the donating nations out of altruism, and generosity. In most cases however, the aid money is primarily designed to take care of strategic interests of the donor nations and stress previous links with former colonizing countries.

The fear among Africans to take responsibility and steer their continent to economic prosperity has made Africa lose self-sufficiency in food production, turning it into a continent-sized beggar, hopelessly dependent on the largesse of outsiders. Per-Capita

food production in Sub Saharan Africa has fallen in every single year since 1962.¹⁹ Seven out of every ten Africans are now reckoned to be destitute or on the verge of ‘extreme poverty’, hence the continent’s highest infant mortality rates in the world; lowest average life-expectancies in the world, lowest literacy rates, fewest doctors per head; and fewest children in school. During the period 1980 to 1986 when Africa became – by a considerable margin – the world’s most ‘aided’ continent, GDP per capita fell by an average of 3.4 per cent per annum.²⁰

The combination of massive aid increases and uneven or ineffective policy conditionality has ensured the sustainability of policies that would have been disciplined by market forces. Aid has had a powerful effect on state institutions in Africa, simultaneously sustaining them and stripping them of decision making-power. It has undermined the development of state institutional capacity, by externalizing policy making and arresting the process of policy learning among African policy elites. At the same time, aid has comforted if not reinforced the state’s neo-patrimonial tendencies by turning the decision-making process into a series of largely uncoordinated projects with tangible and excludable benefits controlled by state agents.²¹ Development aid has been used as a substitute for private capital and provided support to African governments to survive economic crises while minimizing policy change.

A prominent development economist, the late Peter Bauer, argued that throughout history, innumerable number of individuals, families, groups, societies and a few countries –both in the West and Third World – moved from poverty to prosperity without external donations. All developed countries began as underdeveloped: if the notion of vicious circle was valid, mankind would still be in the Stone Age at best.²²

Government to government aid has damaged existing institutions of productivity making poor countries poorer. Bauer observed that begging, “Unlike manna from heaven which descends on the whole population, these subsidies go to the government”.²³ Government to government aid facilitates statism, which is hostile to the needs of the individual. It supports government directed projects and feeds a system of corruption. In other words aid has tended to erode the proper role of governments in poor societies, hence scuttling ongoing development and any reforms that may be already underway.

If one were to compare the role of government to that of a referee in soccer; the referee is not a player. But we have had incidents where the referee influences the outcome of a game by unfairly awarding penalties that make a team in his favor win. Referees and their linesmen (assistant referees) sometimes ignore “offside” and give red cards unfairly. When this happens, the best team rarely reaches the league finals. The actual test comes when such an ill prepared team plays against teams that won out of merit. Victory never

¹⁹ Devereux (2001)

²⁰ Hancock, Graham ;1988 *Lords of Poverty* p.192

²¹ Van de Walle N. ;2001, *African Economies and the politics of Permanent Crisis, 1979-1999* pp. 59-60

²² Ibid. p.26.

²³ Ibid. p.5

comes home. In the world of economic soccer, individuals are the players and the government is the referee. When a government favors some businesses at the expense of others, the economic game is messed. When it continually awards “red cards” to those it does not favor, a poor team is presented to the international economic market and victory can never be secured. What aid has done over the years is strengthen governments in poor countries to erode the capacity of individuals to generate wealth.

Aid to Governments

Aid to governments certainly has some positive effects, which include the development of major projects such as roads, dams, and public buildings. Given the structural and institutional weakness in African governments, aid transfers end up in institutions either not sanctioned by the people or generally to amorphous and unaccountable recipients.

Viewed from the fact that a given people are supposed to institute a government, serve it and in return expect services from the same, Aid changes the whole equation making African governments focus more on the sources of funds other than her people. In the long run aid saps the initiative, creativity and enterprise of ordinary people making them to rely on their governments for solutions to problems they could solve on their own. The government system in most cases is richer than the rest of the society, leading to patronage and seeking public office for private gratification. Accumulation of wealth has become directly linked to political patronage and links as opposed to products presented to the market. Aid has politicized the economies of many poor nations, diverting attention, energy and resources from productive activity to concern with political and administrative decisions.

Between 1981 and 1996, nearly half the countries in Africa experienced significant episodes of violent conflict between government and opposition groups. By 1998, an estimated 4 million people had lost their lives as a direct result of political violence with another 3 million becoming refugees. During the 1980s, at least 92 successful or unsuccessful military takeovers were recorded, affecting 29 African countries. Seven Africans heads of state lost their lives whilst in office in the 1980s and 1990s.²⁴ A keen analysis of these events reveals a quest to partake of the “national cake” which in most cases is aid from the wealthy countries.

In summary, aid to poor countries is counter-productive for the following reasons:-

- It gives untrustworthy leaders resources they use to repress their people and legitimizes brutal tyrannies.
- It corrodes indigenous democratic institutions. Donor countries, having vested interests in the political climate of recipient countries, engage in covert support for political groups that favor their strategies. At present, the developed nations are evaluating recipient countries in terms of Islamic fundamentalism as witnessed in recent reaction to the victory of Hamas in the Middle East.

²⁴ Goldsmith A A; 2001. *Foreign Aid and Statehood in Africa. International Organization* pp. 123-148

- It undermines the institutional capacity of governments, making most of them too dependent on aid, that they cannot deliver public services without external funding.²⁵ Note that aid exports bureaucrats to Africa as opposed to technocrats.
- It promotes graft in poor countries. Graft grew hand in hand with foreign borrowing. By 1982, Zaire (now the Democratic Republic of Congo) had accumulated a foreign debt of \$5 billion and the president Mobutu Sese Seko had accumulated a personal fortune of \$4 billion which according to a number of some including a former minister, he had stashed away in banks and property in Europe.²⁶ The most common form of corruption with respect to aid is the unilateral misuse of funds by recipients, ranging from petty corruption to grand corruption.²⁷ Beneficiaries from corruption in aid-funded projects include private contractors and procurement agents, both local and expatriate, who are awarded contracts through suspect tendering arrangements.²⁸
- It expands a country's bureaucracy and finances centrally planned economies. Despite numerous reports of grand corruption in Kenya, donor countries are still eager to pump in more money. Uganda and Ethiopia's leadership keep parrying with donors but still receive support.
- It is used to buy arms instead of focusing on creating the legal structure and commercial code necessary for long term investment that can spur economic growth. It is estimated that African governments spend \$ 15 billion on arms and military.²⁹
- It funds government enterprises, which compete with private sector enterprise. Ivory Coast's Structural Adjustment Loan was used to 'finance the arrears of several state agricultural enterprises'.³⁰
- Poor governments have been forced to work exclusively with bureaucracies of aid agencies (estimated 40,000 expatriates in Africa). This has made it difficult for poor countries to realize an effective human resource capability because their own experts are either ignored or no investment is prioritized to this end.
- It has facilitated the creation of monstrous projects that have devastated the environment and ruined lives. For example, 'in 1977, the World Bank agreed to lend Kenya \$40 million for the Bura irrigation project, to irrigate the 16,000 acres along the Tana River in the semi arid eastern part of the country, and bring in 5,000 families to grow cotton and other crops for export. Within 9 years, the project's costs had quadrupled, irrigation works had failed, and 20% of the settlers abandoned the area for serious indebtedness, high incidence of malaria and malnutrition and high death rates³¹.
- Aid has sapped the initiative, creativity and enterprise of ordinary people by making them reliant on government aided initiatives. Food aid displaces farming efforts when it ends up in local markets creating an even more quest for food support.

²⁵ Cooksey B. ;2002, *Can Aid Agencies Really Help Combat Corruption?* P.48

²⁶ Ibid, p.132

²⁷ Ibid

²⁸ Supra

²⁹ Ayittey G.; *Africa Unchained* p.326

³⁰ Goldsmith, op. cit.

³¹ Ibid, p. 117

- It has sucked potential entrepreneurs and intellectuals in the developing countries into nonproductive administrative work by seeking to produce better aid managers as opposed to producing a productive work force.
- Donors determine which projects to support forcing African countries to virtually produce similar goods and put high barriers against each other. A mere 12% of all African goods, for instance, go to other African countries.³² In Sub Sahara Africa in 1997, agricultural exports encountered an average tariff of 33.6% in other Sub Sahara countries³³ but note that European exports encountered only 12.7% and East Asian exports encountered only 19% tariff.
- Recipient governments have relied less on taxes and more on aid doing little to encourage the expansion of the tax base through increased productivity.
- It has led to capital flight. From 1976 – 1984, capital flight from Latin America equaled the increase in external debt of the same countries.³⁴

Caufield notes that since the early 1980s, mainly as a result of a sharp decline in new lending by private banks coupled with ongoing repayments of old loans at rising interest rates, the wealthy countries have consistently been net recipients of funds from the Third World - not net donors to it - even when Overseas Development Aid (ODA) is taken into account. Initially the gain of the North was small – just \$300 million in 1983. In 1984, however, it had risen dramatically to \$12.5 billion. Since 1985, the poor South's net transfer of finance to the rich nations has exceeded \$30 billion per annum. The figure for the year 1 July 1987 to 30 June 1988, for instance, was \$39.1 billion.³⁵

- In the years 1986 – 1988, the IMF received net payments totaling \$8 billion from the Third World.
- The International Bank for Reconstruction and Development (IBRD) in the financial year to 30 June 1988, received \$1.9 billion from poor countries.
- From 1982 – 1987, British Banks took in more than £80 billion in debt service payments from Latin America. On average every man, woman and child in Latin America had transferred £40 a year to the city of London. And yet British aid during the same period was just under 8 pence per capita per annum.
- Africa's foreign debt in 1992 totaled \$282 billion, repayments consuming 24% of her export earnings.

The way out

What the world's poor need are governments that no longer strangle and loot their economies. Economic achievement depends mainly on peoples' abilities, attitudes and

³² Commission for Africa p.53

³³ Tupy :*Reclaiming Africa* p.44

³⁴ Ibid, p. 132

³⁵ Ibid, p. 188.

their social, legal and political institutions.³⁶ Wealthy countries should allow trade with poor countries. Poor countries should on the other hand promote trade amongst themselves. Trade spurs productivity; there can be no productivity if a conduit to facilitate consumption is sealed.

It is prudent therefore that:

- Poor countries realize that aid is not ‘help’: It is detrimental to development.
- Governments in poor countries pay more attention to human effort and resourceful ingenuity by providing incentives.
- The regime of private property rights be urgently strengthened because prosperity and property are intimately linked. This will in turn encourage saving and investment.
- Rights of personal liberty against the abuses of tyranny and insecurity in general be observed.
- Rights of contract to facilitate a sound business environment be enforced.
- Africa opts for governments of laws rather than governments of men. The rule of law promotes confidence in relations with others hence facilitating mutual exchange of goods.
- The poor be given chance to choose and prioritize projects that are suitable to their needs by promoting a participatory strategy in project proposals and implementation.
- Sound economic policies be focused on by avoiding approaches that sustain central planning systems hence turning people into virtual serfs, working to fund the failed policies of the state.
- Africa opens up and be a one joint market

Leadership in Africa

Most African leaders, having received their education in developed countries’ universities, have lost touch with the people they purport to lead. The African leadership is facing a crisis on whether to build their economies, nationalism or both. The few who were never educated abroad are often surrounded with consultants from developed countries keen on furthering the interests of their home countries. That the African leadership is weak is a pointer to the folly of taking too much advice at the expense of offering guidance and tapping the massive talent in Africa.

Much of academic literature on African political economy views African governments as prisoners of their societies through reliance on clientelist practices to ensure political stability. According to Ayittey, What keeps Africans poor is their powerlessness to rid themselves of predatory governments or force existing ones adopt the right policies in a peaceful way.³⁷

³⁶ Dorn J.A , *et al* :1998. *The Revolution I Development Economics*

³⁷ Ayittey, George B. N. ;1998 *Africa In Chaos*, p. 21

Blame Game

It is difficult to discuss Africa's present economic and socio cultural predicament without linking the effects of colonialism to it. In *Cultures and Conquests* Thomas Sowell illuminates the fact that countries have conquered and have been conquered in an ever a never ending cycle. But these conquests ought not be an excuse for the present generation in Africa to give in to further subjugation through 'friendly' ways by modern powers through aid.

Two main schools of thought exist on Africa's predicament: the externalists blame the colonialists for all the problems affecting Africa, while the internalists blame the Africans and their leadership. The present world order clearly shows that a marriage of both schools can offer the best way forward. It is partly true that inherited colonial institutions make it difficult for Africans to solve their own problems. Many governments in Africa still focus on their former colonizing powers for business and aid. They still produce to export and little focus is paid on expanding the African markets. The internalists, argue that by now, Africans should have reformed their own institutions to be able to be competitive in the global market..

According to George Ayittey, the externalists believe that Africa's problems are a result of external factors such as Western colonialism and imperialism, effects of slave trade, racism, conspiracies, multinational corporations, lack of aid and unfair trade terms.³⁸ Ayittey describes internalists as those who believe Africa's problems are more of products of internal rather than external factors. His basic argument is that the African problems are man made.³⁹ The man made causes of African problems range from bad government policies to corruption and poor leadership.

In my view, both forces are acting on Africa but given the fact that the final person who has the solution to the African problem is the African person, we can rightly vote for the internalists.

My Thoughts: (Internalist perspective)

(a) Famine in Africa: How Bad Laws are killing people

Driving down to Busia town with Koshin, an African American friend, brought into focus a basic view of measuring poverty. Most of the school children we met, walking home for lunch break were barefooted. Driving in the Rift Valley province, most of the school children we met walking home, had shoes on.

The "barefoot" issue led to our measuring different levels of poverty using shoes! I had pointed out to my African friend how poor Western Kenya is. In 2005, a World Bank funded report on *Geographical Dimensions of Well Being in Kenya* indicated that rural

³⁸ Ibid pg 38

³⁹ Ibid pg 44

Western Kenya has an average poverty level of 60%. “What? With all this cultivated fields, what do you mean this people are very poor, do they own the land?” asked Koshin. I explained how difficult it is for the majority of people in Western Kenya to afford medicine, a balanced diet, high agricultural production and educate their children beyond primary school despite the fact that they own title to their land. “I think people from Western Kenya have a cash flow problem and the best economic minds must figure out why people with such good land and climate have no money flowing in their hand,” argued unconvinced Koshin.

I took business friends from Switzerland for a tour of Ukambani in Kenya’s Eastern Province. Very dry and looking desolate, it was obvious to me that they would quickly agree with the popularly held notion that drought is the single most known enemy that an African cannot battle. We went to Ikaalasa village, an area that receives erratic rainfall and toured fields of maize that was wilting due to drought. My guest asked one farmer, ‘Why do you have to plough the whole field?’. “To kill weeds,” was the ready reply.

Again it emerged that in sound agricultural practice, one ought to ensure that against water loss is curbed. One suggestion, was of course, avoiding to plough the whole field, preparing individual seed holes, and taking care of the weeds by simply slowing them down instead of uprooting them!

The scenario is a common feature all over Africa. The African food insecurity crisis is expanding at an alarming rate. Many countries in Sub – Sahara Africa are faced with famine. It is the old bad story of Africans dying due to poor leadership and overzealous donor organizations that are not keen on long-term solutions.

Take Ukambani for instance; if one were to drill a borehole to supply water to the small holder farmers, he would encounter several obstacles. Apart from paying for borehole permits, he might be required to meet the transport and food expenses of water engineers who would come in droves to “site” the water; purchase an electrical step-down transformer from the Kenya Power and Lighting Company; pay for the electricity poles, connection and finally a monthly electricity bill. Note that the ‘purchased’ transformer will not belong to the buyer; but to Kenya Power and Lighting Company which will then use it to extend services to any other customer. Now you know why Kenyans in rural areas cannot get electricity and why potential borehole businesspeople in Ukambani cannot move an inch.

Who is to blame? Why should an electricity company - a commercial entity- hamper the supply of its goods to potential customers through restrictive laws? Through bad laws that promote state enterprises and monopolize service delivery, many people die poor. Before the telephone sector was liberalized, people in rural areas could only see a phone booth in urban areas. Many people died because they could not call their sons and daughters in time to take them to hospital. Presently, the poor road network scares away any venture investor that might want to move into areas prone to famine.

According to the African Union Ministerial Conference of Ministers of Agriculture, Africa experiences post harvest losses of 30%. We waste 10-15% of the harvested cereals because we cannot store our products safely.⁴⁰ Faced with a 27% African population that is undernourished and a low purchasing power because food prices increased by 6%; African thinkers must surely work at increasing 'cash flow' among the poor. It is also estimated that AIDS related death of a family 'breadwinner' reduces each household's agricultural output by 61% while AIDS patients lose between 29% and 43% of their labor every year.⁴¹ With cash flow, HIV-AIDS victims will access antiretroviral drugs and cut down on manpower losses.

The African Union attributes some of the causes of poverty to overdependence on subsistence farming, limited access to gainful off farm employment, and income generating activities. High poverty incidences make it difficult for most families to purchase food. According to a recent report by the African Union (AU) on the status of food security in Africa, African governments are faced with tough challenges which include high poverty rates, conflicts (farmers constitute a large proportion of conscripted soldiers in war zones in Africa) poor infrastructure, disease (HIV/AIDS, Malaria), high external debts, soil degradation, increased water scarcity, desertification and climate change.

'If I counted village people, and decided to put up a generator to supply electricity and make real money targeting rural populations, would the government allow this?' asked Koshin. 'You have again to face the obstacle of the monopoly rules of supplying power in Kenya,' pointed out a businessman based on the outskirts of Mumias town, on why Mumias Sugar Company's electricity is not covering the whole town. Kenyans and Africans must put their governments to task for the loss of each individual life over famine. Famine is an artificial problem in Africa.

(b) Grass War in Africa

A study carried out by a Peruvian economist, Hernando De Soto indicated that Africa holds 0.58 trillion American dollars in untapped informal urban capital and 0.39 trillion American dollars in rural areas.⁴² Hernando's argument is based on the fact that a lot of the African property system has not been formalized to allow use as collateral in case of the quest for credit. In Kenya for instance, most banks would use land titles when considering loan applications. But who said that only land should serve as collateral for loans? Let us ask the banks.

Africans with business ideas are unable to operate because the banking system has failed to move out of the archaic mode of offering credit. The banks subscribe to the notion that

⁴⁰ African Union Ministerial Conference of Ministers of Agriculture; Jan31-Feb1 2006, paper *Status of food security and prospects for Agriculture Development in Africa*.

⁴¹ African Union Ministerial Conference of Ministers of Agriculture; Jan31-Feb1 2006, paper *Status of food security and prospects for Agriculture Development in Africa*. P9

⁴² De Soto H. ;2001. *The Mystery of capital*. Why Capitalism Triumphs in the West and Fails Everywhere else P.33

only the 'politically correct' are credit worthy! The higher one goes politically, the more credit-worth he becomes. They determine beforehand which projects can receive loans, leading to a flood of businesses in debt, with no customers as a result of the copycat driven strategy.

Just as rural populations with huge tracts of land experience a cash flow problem attributed to government monopoly rules and inept banking systems. Africa experiences artificial cash flow problems because of over-reliance on the World Bank and International Monetary Fund. Why should a continent rich in resources experience a cash flow problem? International institutions choose which type of projects they will fund, ranging from liberalization, privatization to infrastructure, and the customer, that is, the African countries, have little say in the loan business.

A year is not yet over since Kenyans were treated to the news of war between the Turkana and Gabra over grazing land. The Maasai conflict with wildlife conservationists has been largely due to the quest for grazing land. A different warfare plays out in Western Kenya with back breaking activities against grass. Granted that the northern Kenya grass war might have more than one dimension, the fact still remains that farmers want grass as food for their cattle, while others are fighting grass as a menace.

Grass is gold for entrepreneurs. The unemployed youth in Africa should set up grass companies to supply grass to drier parts of the continent and seek capital to link up with established businesses to repackage weed fighting techniques for purposes of downloading the same to farmers. Instead of Africans sticking to the old ways of selling a whole chicken, or cow; they could use modern technology such as refrigeration to market frozen beef and chicken and avoid wastage during droughts. The African intellectuals must go back to the basics and add value to daily chores. There is need to sanitize spring water sources, export grass, fight weeds, and stop deaths over grazing land.

The Real Africa

Africa is not poor, it has immense untapped wealth:40% of the World's potential hydroelectric power supply, the bulk of the world's diamonds and chromium; 30% of the uranium in the non-communist world, 50% of the World's gold; 90% of its cobalt, 50% of its phosphates; 40% of its platinum; 7.5% of its coal; 8% of its known petroleum reserves; 12% of its natural gas; 3% of its iron ore and millions and millions of untilled agricultural land.

In addition, Africa has 64 percent of the world's manganese, 13 percent of its copper and vast bauxite, nickel and lead resources. It also accounts for 70 percent of cocoa, 60 percent of coffee, 50 percent of palm oil, and 20 percent of the total petroleum traded in the world market, excluding the United States and Russia. The tourism potential of Africa is enormous: unrivaled wildlife, scenic grandeur and pristine ecology constitute Africa's third great natural resource after agriculture and mineral wealth.⁴³ Africa is a huge market of an estimated 800 million people.

⁴³ Ibid

Economic Freedom in Africa

Africa can change her economic status by simply freeing her people to pursue economic gains. Milton Friedman, a Nobel Laureate in economics notes that, “Freeing people economically unleashes individual drive and initiative and puts a nation on the road to economic growth”. “In turn, economic prosperity and independence from government promote civil and political liberty.”⁴⁴ Economic freedom will turn people into a resource, if the regional governments make the legal structure efficient, licensing procedures easier and affordable and put in place policies that are friendly to entrepreneurship. People produce more when they are sure they will enjoy the fruits of their labour.

Globalization

Africa is facing a great challenge in which economic, political and business leadership must be exercised in an increasingly globalized economy. The region ought to urgently define its comparative advantage, upgrade infrastructure and technology as well as improve the quality of human capital. Similarly domestic institutions need to be reformed to enable them play a proactive role within a globalized economy⁴⁵. This happens against a background of increased dependency on donor support.

Sub-Sahara’s share of world trade has declined from 3.1 per cent of world merchandize exports in 1955 to just 1.2 per cent. If rich countries opened their markets to Least Developed Countries, increased export opportunities would generate an estimated \$700 billion of additional trade for the developing world⁴⁶. The present value of debt is \$4.4 billion. Total debt service amounts to 15.4 per cent (percentage of exports of goods and services), and short-term debt outstanding is \$695.1 million. Foreign aid on the other hand is \$14.7 per capita. Increased trade opportunities for Africa would translate to more income.

Conclusion

Africa is not poor; it has an artificial cash flow problem created artificially due to over reliance on donors. Left free to choose solutions on its own – Africa will be prosperous. Decades of crying and generation of guilt conscience to the developed countries will not salvage Africa, Africans must take responsibility and steer the continent to greater heights of prosperity. This can be through: -

1. Resolving the dilemmas facing the continent on property rights issues on land and facilitating a more peaceful and productive way to solve the crisis. A greater drive towards individual ownership that respects gender, tribe, and race must be prioritized.

⁴⁴ The Economic Freedom of the World 2003

⁴⁵ National Development Plan 2002-2008

⁴⁶ www.gatt.org/trastat-e.html

2. Encouraging incentives for both local and foreign investors. To focus only on external investment may not necessarily create a critical mass of consumers needed to spur economic growth. Africa needs to improve on her physical and legal infrastructure that can facilitate both an increase in production and consumption. The legal reform must ensure that contracts are enforced and disputes resolved in an efficient manner.
3. Facilitating access to credit to innovators and business people in Africa. Africans should push towards accessing credit through a liberalized banking system, access to technology that will promote food productivity, health and efficient means of facilitating business.
4. Self confidence. Lack of confidence not only compromises wealth creation but limits risk taking leading to many people remaining in comfort zones.
5. Promoting intra – Africa trade in order to spur low level production and consumption as a step towards international market entry. A strategy to fit in the global economy entails taking both steps, opening borders to intra African goods and international commodities.

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