ESSAYS ON AFRICA'S GROWTH: A SITUATIONAL ANALYSIS

It is possible that Africa can claim the next 30 years?

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March 2015

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PREFACE

In 2012, I wrote Why Africa Fails: *The Case for Growth before Democracy*. In it I argued for need to address growth first – and that democracy would bed in once society reduced poverty, hard quality population and a non-politically created middle class. I indicated that the Asian boom nations – and recently China seem to have followed similar model. Am not a "soothsayer"[1] and able to foretell the future with certainty but I think it is emerging that growth comes first, then development and democracy follow.

In 2013, the UNDP titled the annual Human Development Report "The Rise of the South: *Human Progress in a Diverse World*" and in it identified *three drivers of transformation*: i) a proactive developmental state, ii) tapping of global markets, and iii) determined social policy innovation[2]. The report asserts that these drivers are not derived from abstract conceptions of how development should work; rather, they are demonstrated by the transformational development experiences of many countries in the South (UN HDR 2013:65). The report is also critical of the obsession with what it calls 'preconceived and prescriptive approaches'[3]. According to the report, there is need to recognize that development does not happen automatically and that transformation cannot be left to markets alone. The state needs to mobilize society through policies and institutions that advance economic and social development. However, the report also asserts that this is not a universal prescription and that the way these three elements are translated into policies is context-specific, depending on country characteristics, government capacities and relationships with the rest of the world[4].

Giving examples from Asia, it shows that during their period of growth Japan, Republic of Korea, and Indonesia, the state was involved in the market and business to promote growth. Looking at India's and Brazil's approaches to agriculture, industrialization and growth, the

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[1] One who claims to be able to foretell events and predict the future – in other words, a foreseer, even a fortune-teller.

[2] UN HDR (2013:65), Human Development Report 2013:The Rise of the South: Human Progress in a Diverse World

[3] These drivers are not derived from abstract conceptions of how development should work; rather, they are demonstrated by the transformational development experiences of many countries in the South. Indeed, they challenge preconceived and prescriptive approaches: on the one hand, they set aside a number of collectivist, centrally managed precepts; on the other hand, they diverge from the unfettered liberalization espoused by the Washington Consensus. These drivers suggest an evolution towards a new approach, in which the state is a necessary catalyst that pragmatically adjusts its policies and actions in line with new realities and the challenges of global markets. (UN HDR 2013:65)

[4] See UN HDR (2013:66), Human Development Report 2013:The Rise of the South: Human Progress in a Diverse World

report states that "rather than merely being market-friendly, these states have been development-friendly"[5].

I want to state that there is an emerging view of the need to rethink how growth and development can happen in less developed countries. Some suggesting that liberalization and total absence of the state in market operations is detrimental to the growth and development efforts. Strong leadership to guide society on the path to development is necessary. Related to the role of the state, there is an emerging view that elements of benevolence as can be seen in the East Asian countries transitioning from least developed to advanced developing countries may be necessary for Africa. African countries need to pick the best from other cultures and countries that have made it out of poverty and grew.

Africa has examples to learn from both in the West and Asia. This book presents to Africa – and its friends – practical answers to African challenges. It also identifies what role is for the rest of the world towards Africa – partnership for trade, investments, education and rethinking aid. Humanitarian aid will continue going to any part of the world whenever there is a crisis but aid to government has to be minimized – and eventual diminish in importance. Read on.

HOW DID OTHER PARTS OF THE WORLD ACHIEVE GROWTH AND LIBERAL DEMOCRACY? Are there any lessons for Africa?

We will briefly cover UK, USA, and East Asian Countries' Economic Miracle countries. China will also be covered here discussing its transition to market oriented economy.

United Kingdom

Like other societies, was originally feudal but is now a liberal democracy. Where a small group of feudalists used to dictate to others and determine the way of that society's life, UK now has a group voted for by the majority and are peoples representatives. Our point of discussion is to show that democracy is gradual but also preceded by high levels of improvement in the conditions of the people. Liberal Democracy seems to come in when an economy has growth, reduced poverty, reduced inequality before the law and achieving three rights: economic, social and political rights. We should note Lipset in *Political Man* (1960:48-9) conclusion that "the more well-to-do a nation, the greater the chances that it will sustain democracy".

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[5] See UN HDR (2013:68), Human Development Report 2013:The Rise of the South: Human Progress in a Diverse World

In England, the origins of democracy can be traced to the creation of regular parliaments that were a forum for the aristocracy to meet the king and negotiate taxes and discuss policies that favoured that aristocratic group. That process continued until England became a democracy. Ultimately, England became a constitutional monarchy. In a constitutional monarchy, the top leader's powers are controlled by a constitution and the laws of the country.

As Table….. Below indicates that, along the way to democracy, there was discrimination and denial of some rights based on wealth, and gender among others.

Table…..Road to democracy in England/Britain

1628	Parliament tried to force King Charles 'Petition of Right'
1969	Charles lost the battle and was executed by the king's opponents led by Oliver Cromwell.
1688	• Glorious Revolution: after parliament withdrew support for King James II and instead offered the throne to James's daughter, Mary and her husband William of Orange, ruler of the Netherlands. • Parliament is meeting regularly but did so with a very restricted franchise. This parliament was still based on feudal arrangements of society based on orders or estates. These orders were clergy and aristocracy who sat as the House of Lords (by right); and the Commons who sat in the House of Commons (and were subject to elections). By the 18th century, and the middle of the 19th century most elections were unopposed and so no voting actually took place. This was because most candidates were mainly proposed by leading landowners and the aristocracy. There was no secret ballot voting was openly observed and voters feared to go against the landowners' wishes (with possible repercussions to those who would have voted against)[6].
1698	William and Mary accept a 'Bill of rights' which listed the rights and liberties essential to the people; and gave limited power of the monarchy. It allowed free speech in parliament; no taxation without the consent of parliament
1832	First Reform Act 1832: the passing of the Act was due to the previous riots (such the Luddite Riots, Spa Field Riots, Peterloo Massacre, and the Swing Riots). The two

[6] See Lang, S., (1999). Parliamentary Reform, 1785-1928. New York: Routledge. Namier, L., (1961). The Structure of Politics at the Accession of George III. London: MacMillan; and Jennings, I., (1961). Party Politics. New York: Cambridge University Press.

	immediate events that led to the passing of this Act were the Swing Riots (1830) and the July (1830) in Paris France. • Right to vote now based uniformly on the basis of property and income. • Removed the old electoral system where several members of parliaments were always elected by very few voters in urban constituencies (or boroughs). • It increased the total number of voters to around 14.5 percent of male adult population (The Act increased the total electorate from 492, 700 to 806,000 persons).
1867	Second Reform Act 1867 Total electorate expanded from 1.36 million to 2.48 million voters. Working class becomes majority in all urban constituencies.
1884	• Third Reform Act 1884 • Electorate of 2.48 million voters is doubled. • It extended the same voting regulations that already were enjoyed by the urban constituencies to rural constituencies – the counties.
1918	(Following the Great War) Representation of Peoples Act 1918 Allowed a vote to all adult males aged 21 and over; and women over the age of 30 who were themselves ratepayers or married to ratepayers.
1928	All women allowed voting on the same terms as men. What later followed, United Kingdom is a liberal democracy.

As these reforms were taking place, boosted by the industrial revolution, economic growth was rising. There emerged the middle class and working class that questioned the landed aristocracy's political monopoly. Land was no longer the only most important asset. Labour became important in industries, factories, and towns. Labour was taken away from the land, land rents reduced and landowners found that they had to raise wages to keep workers.

United States of America

On 4 July 1776, 13 colonies adopted the declaration of independence in which they declared that they were free from Britain (This declaration was written by Thomas Jefferson in 1776). They had fought a war and won the colonists. Now the process of forming the USA had begun. Delaware, Pennsylvania, and New Jersey were the first three to become states during

1787[7]. During 1788, eight colonies became states[8] and these were Georgia, Connecticut, Massachusetts, Maryland, South Carolina, New Hampshire, Virginia, and New York. North Carolina became a state in 1789. Rhode Island became a state in 1790. Today, the United States has 50 states.

Following this declaration, the process of the constitution began. On 17 September 1787, the constitution of the United States of America was signed at the Independence Hall in Philadelphia by 39 of the 55 delegates attending the constitutional convention. This was followed by the first 10 amendments called *The Bill of Rights* - to the constitution in 1791. From the Declaration of Independence up to 1951, there was no limit on the number of terms that a president could serve. The constitution was amended – 22nd Amendments the US president can only be elected to two (2) terms of 4 years each for a total of 8 years.

Voting is viewed as (and should be) one of the most important civic responsibilities of citizens in a democracy such as United States. This civic responsibility was for a long time denied most citizens of the USA until the 15th Amendment and finally the 24th Amendment. There are four Amendments about voting in the US. The 15th Amendment permits men of all races to votes[9]. This was written after the Civil War and the end of slavery. Then there is the 19th Amendment that gave women the right to vote; after the women's suffrage movement the women's right movement advocated for the women's rights to vote. Meanwhile as the political reforms were taking place, so were the improvements in the economy. For around 150 years, there was growth around 1.5 percent per year. This was impressive growth.

References:

Jennings, I., (1961). Party Politics. New York: Cambridge University Press.

Lang, S., (1999). Parliamentary Reform. 1785-1928. New York: Routledge.

Lipset, S.M., (1960). Political Man: The Bases of Politics. Garden City, NY: Doubleday

[7] US Citizenship and Immigration Services (2006), M-638 (rev. 06/13)

[8] Although the colonies were recognized as states after Declaration of Independence, the actual date of statehood is based on when each ratified and therefore accepted the US Constitution.

[9] After the 15th Amendment was passed, some leaders of the southern states were upset that African Americans could vote. These leaders designed fees called poll taxes to stop them from voting. The 24th Amendment made these poll taxes illegal. The 26th Amendment lowered the voting age from 21 to 18.

Namier, L.B., (1961): The Structure of Politics at the Accession of George III. London: Macmillan.

US Citizenship and Immigration Services (2006), M-638 (rev. 06/13)

East Asian Countries' Economic Miracles

The 8 East Asian economies enjoyed phenomenal growth between 1960 and 1990. During this period, these economies grew more than twice as fast as Latin America and South Asia; and 25 times faster than SSA[10]. They also significantly outperformed the developed countries of USA and Europe, and the oil-rich middle-North Africa region[11].

The factors attributed for the growth of High-Performing Asian Economies (HPAEs) have been categorized by the World Bank (1993)[12]. Getting the basics rights was one such key issue that propelled rapid growth. A summary of key factors that enabled growth for these economies have been itemized by the World Bank (1993): good public policies for growth; achieving macroeconomic stability and export growth; building basic institutions for growth; accumulation human and physical capital; and efficient allocation and productivity change[13]. It is stated that these countries experienced the following: high levels of domestic financial savings sustained HPAEs high investment levels; agriculture - while declining in relative importance to GDP – also experienced rapid growth and productivity improvement; population growth rates declined more rapidly than in other parts of the developing world; better educated labourforce and more effective system of public administration; and superior accumulation human and physical capital[14]. We will discuss those that we think are also relevant for Africa.

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[10] The World Bank (1993). The East Asian Miracle: Economic Growth and Public Policy, A World Bank Policy Research Report, Washington, D.C.
[11] The World Bank (1993). The East Asian Miracle: Economic Growth and Public Policy, A World Bank Policy Research Report, Washington, D.C.
[12] The World Bank (1993). The East Asian Miracle: Economic Growth and Public Policy, A World Bank Policy Research Report, Washington, D.C.
[13] The World Bank (1993). The East Asian Miracle: Economic Growth and Public Policy, A World Bank Policy Research Report, Washington, D.C.
[14] The World Bank (1993). The East Asian Miracle: Economic Growth and Public Policy, A World Bank Policy Research Report, Washington, D.C.

These eight economies too share six characteristics that set them apart during 1960 to 1990s. They realized the following: more rapid output and productivity growth in agriculture; higher rates of growth of manufactured exports; earlier and steeper declines in fertility – and increased life expectancy; higher growth rates of physical capital, supported by higher rates of domestic savings; higher initial levels and growth rates of human capital; and generally higher rates of productivity growth[15].

Life expectancy increased from 56 years in 1960 to 71 years in 1990 in Indonesia; absolute poverty reduced from 5 percent in 1960 to 17 percent in 1990 in Indonesia; from 37 percent to less than 5 percent in Malaysia[16].

The countries we are discussing here include Singapore, Malaysia, Republic of Korea, Thailand, Taiwan, Hong Kong, Indonesia, Japan, and now China. China began its economic miracle since the 1970s when it embraced market economics. As authors and experts were writing about East Asian miracle, China had already trekked to rapid growth and has continued for over 30 years since 1970s.

Various factors have been put forward for the East Asian miracle. We will consider the key ones here. We acknowledge that we will not list all the factors but the key ones.

Commitment to education and technical skills: Scholars have found out East Asian valued education, especially mathematics and engineering related courses. Comparing Ghana and South Korea, Huntington (1999), political scientist, said that South Korean valued education while Ghana had different values[17]. Easterly, an economist, and demographers and economists Bloom and Canning also refer to the factor of education in East Asia. According to Bloom and Canning (2000:1207), a healthy and educated workforce acts as a strong magnet for foreign investment. Increased schooling promotes greater productivity and, in turn, higher income. Good health also promotes school attendance and enhances cognitive function. In so far as increased savings lead to increased investment, the educated (after getting work), will have access to more capital and their incomes will rise.

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[15] The World Bank (1993:27). The East Asian Miracle: Economic Growth and Public Policy, A World Bank Policy Research Report, Washington, D.C.

[16] The World Bank (1993). The East Asian Miracle: Economic Growth and Public Policy, A World Bank Policy Research Report, Washington, D.C.

[17] Huntington (1999), "South Koreans valued thrift, savings, and investment, hard work, discipline, and education. Ghanaians had different values." (See Huntington, S. P., 1999, "Keynote Address: Cultures in the 21st Century: Conflicts and convergences", on 4 February 1999 at Colorado College's 125th Anniversary Symposium).

Talking about Africans and Asians and the development in East Asia, Easterly (2006)[18] writes that Asians pressed emphasis on mathematics and engineering sciences while Africans concentrated more on liberal arts or humanities. Take the case of China. In the United States 22.5 percent of the total number of the overseas students that achieved a doctorate degree in science and technology were Chinese[19]. It has been stated that even in South East Asia, the Chinese populate the universities department and engineering in particular. By end of 2012, the Chinese diaspora dominated South East Asian universities department leadership with 84 percent of academicians at the Academy of Sciences and 75 percent academicians at the Academy of Engineering; and 78 percent of the presidents of universities in the region[20]. The World Bank (2011) concludes that economies need their human capital to produce a strong labourforce to apply the technology of today[21]. The World Bank (2011) analysis of East Asia and higher education found out that math, science, and technological knowledge and skills improve countries capacity to assimilate, adapt, and develop new technology[22]. More than, it has been sated that these countries emphasized primary and secondary schools[23]. With reduced population growth rates, this saw many children attain education that helped provide labourforce to the emerging manufacturing, exports, and service sector at the borders – ports and harbours.

Visionary and committed benevolent leaders: It is claimed that leaders such as Lee Kwan Yew of Singapore and Park Chung-he of the Republic of Korea were visionary and committed to industrializing their countries, which they did. Resources poor countries, such Singapore, and South Korea, now export manufactured goods, and some of the busiest ports and

[18] Easterly, W., 2006. The white man's burden: Why the West's efforts to aid the rest have done so much ill and so little good. Penguin Press.

[19]Chareonwongsak, K (2012), *"The Global Chinese Diaspora – Creating Wealth, Contributing to National Development"*, proceedings of the 4th World Chinese Economic Forum held at the Melbourne Convention Centre, Melbourne, Australia 12th – 13th November 2012, organised by Asian Strategy & Leadership Institute.

[20]Chareonwongsak, K (2012), *"The Global Chinese Diaspora – Creating Wealth, Contributing to National Development"*, proceedings of the 4th World Chinese Economic Forum held at the Melbourne Convention Centre, Melbourne, Australia 12th – 13th November 2012, organised by Asian Strategy & Leadership Institute.

[21] The World Bank (2011). Overview: Putting Higher Education to Work: Skills and Research for Growth in East Asia. Washington.

[22] The World Bank (2011). Overview: Putting Higher Education to Work: Skills and Research for Growth in East Asia. Washington.

[23] The World Bank (1993): The East Asian Miracle: Economic Growth and Public Policy. Oxford: Oxford University Press

harbours in the region. South Korea currently exports vehicles, electronics, fridges, and other manufactured goods. Korean Samsung brand is a major global competitor especially for smart phones.

Hard working citizens committed to a savings culture: Huntington (1991), while trying to adduce the difference between African countries (using the example of Ghana) and East Asia (example of South Korea) mentions that the culture of valuing thrift, savings[24] and investment, hard, discipline, and education was important for the growth of East Asian economies. He states that South Korea had this culture while Ghana lacked[25]. It is stated that these countries experienced high levels of domestic financial savings sustained HPAEs high investment levels[26]. These countries continue to post high levels of savings culture than their African counterparts.

Improvements in health: Improvements in health have been recognized as one of the major pillars for East Asia's economic miracle[27]. According demographers and economists (Bloom and Williamson, 1998; and Bloom, Canning and Malaney, 2000), it is estimated that the *demographic dividend* accounted for around one-third of East Asia's economic miracle[28].

Minimized or no corruption: It is particularly said that for Singapore and South Korea they valued discipline and hard work[29]. Huntington (1999) credits Singapore's leader, who stayed in power for long, for having given his country political leadership and creating a non-corrupt

[24] Once asked by the Financial Times London how he accumulated millions, a wealthy Asian in Uganda replied: "It's an old Indian trick. For every 10 shillings I made, I ate one shilling and reinvested other nine. I repeated (it) until I was rich" (Busaharizi, P., "Money is not meant for spending", New Vision, Monday, March 2, 2015, p. 28)

[25] Huntington (1999), "South Koreans valued thrift, savings, and investment, hard work, discipline, and education. Ghanaians had different values." (See Huntington, S. P., (1999), "Keynote Address: Cultures in the 21st Century: Conflicts and convergences", 4 February 1999 at Colorado College's 125th Anniversary Symposium).

[26] The World Bank (1993): The East Asian Miracle: Economic Growth and Public Policy. Oxford: Oxford University Press

[27] Bloom, D.E., and Williamson, J.G., (1998), "Demographic transitions and economic miracles in emerging Asia", World Bank Economic Review 12(3): 419–456.

[28] Bloom and Williamson, 1998; Bloom, Canning and Malaney, 2000

[29] Huntington (1999), "South Koreans valued thrift, savings, and investment, hard work, discipline, and education. Ghanaians had different values." (See Huntington, S. P., (1999), "Keynote Address: Cultures in the 21st Century: Conflicts and convergences", 4 February 1999 at Colorado College's 125th Anniversary Symposium).

society[30]. These countries seem to still be less corrupt when compared with countries in SSA. It should be noted here that Indonesia has had high levels of corruption perceptions; at 114 in 2013[31]. Except Botswana which is often rated fairly clean, most SSA countries rate poorly (around the rate of 3) every year on the Corruption Perceptions Index. Mauritius and Rwanda are trying to clean up and are usually around rate 5 of the index[32]. Countries such as Mauritius, Botswana, Ethiopia, and Rwanda seem to have made progress towards growth due to their commitment to fighting corruption. They have also undertaken efforts towards democracy – not yet liberal or western democracy. But they are trying. Like the countries of Botswana, Tanzania, and Uganda which have been ruled by one party since their independence, Rwanda has been ruled by one party (RPF) since ousting the Hutu regime in 1994. Let us take the case of Rwanda. The electoral commission there does not have a reputation for organizing flawed elections. Ballots are printed in-country, but no party has ever claimed that they have been rigged out because of that. The political parties in Rwanda and Rwandans trust their electoral commission. This does not mean that liberal democracy. Some experts still view Rwanda's leadership in the mirror of dictatorship, and abuse of human rights. Others see benevolent leadership where orders are respected and that there is zero – tolerance to corruption. Ofcourse corruption is not at zero, but there is commitment to fight it.

Meanwhile in East Asia, Singapore is at position number 5 globally – meaning it least corrupt[33]. Hong Kong is at position number 15[34]. Taiwan, South Korea and Malaysia are fairly cleaners than most SSA[35]. We need to talk about corruption in Indonesia under Suharto (ruled for 30 years from 1967 - 1998). In most literature, there is such a phrase as good corruption referring to Indonesia. Most of the monies stolen through corruption by cronies were invested in Indonesia. Unlike in most African countries, in Indonesia there seems to have been a

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[30] Huntington (1999), "South Koreans valued thrift, savings, and investment, hard work, discipline, and education. Ghanaians had different values." (See Huntington, S. P., (1999), "Keynote Address: Cultures in the 21st Century: Conflicts and convergences", 4 February 1999 at Colorado College's 125th Anniversary Symposium).

[31] Corruption Perceptions Index 2013 (available at http://www.transparency.org/cpi2013/results (accessed on 11/21/2014)

[32] Corruption Perceptions Index 2013 (available at http://www.transparency.org/cpi2013/results (accessed on 11/21/2014)

[33] Corruption Perceptions Index 2013 (available at http://www.transparency.org/cpi2013/results (accessed on 11/21/2014)

[34] Corruption Perceptions Index 2013 (available at http://www.transparency.org/cpi2013/results (accessed on 11/21/2014)

[35] Corruption Perceptions Index 2013 (available at http://www.transparency.org/cpi2013/results (accessed on 11/21/2014)

centralization of corruption – and the president seemed to know who got what. It has been proposed that the regulatory agencies and relevant state agencies under Suharto operated as a unified or centrally coordinated monopoly for bribe collecting; and enforcement from the top ensured that agencies did not act independently – this ensured that a good share of bribes flawed upwards[36]. This may suggest that centralized corruption does not seem to have distorted economic success. Africa, corruption happens at levels that are not controlled by the top. In fact lower level civil servants (such as accountant and procurement officers) have been found to be more corrupt than politicians.

Growing middle class: With education more focused on sciences and love for hard work, a middle class emerged that supported growth. The middle class is important as employees and a market of consumers. We will define the global middle class using Kharas and Gertz (2010:3)[37] as "those households with daily expenditures between US$10 and US$100 per person in purchasing power parity terms". They prefer quality and produce few children because of their understanding of the economics raising children and managing a family. The poor unfortunately produce more. In Africa, among others, they produce more children as insurance – so that when others die some may remain. We note that the middle class in Asia is predicated to increase from 500 million to 3.2 billion within twenty years; as North America and Europe Share drops[38]. For example since 2010, almost all the South Koreans are in the middle class[39]. This gives a fair distribution of income in this economy.

Fear of communism: Except for China which is still referring to itself as a communist state, other countries such South Korea and Singapore feared that communism may spread to their territories, and affect growth. So they worked, and attracted FDIs.

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[36] Kelsall, T., and Booth, D., with Cammack, D., and Golooba-Mutebi, F., (2010:5), "Developmental patrimonialism? Questioning the orthodoxy on political governance and economic progress in Africa", Institute of Development Studies at the University of Sussex, Africa Power and Politics Programme Working Paper No. 9 July, 2010

[37] Kharas, H., and Gertz (2010), "The New Global Middle Class: A Cross-Over from West to East", Draft version of Chapter 2 in "China's Emerging Middle Class: Beyond Economic Transformation", (Cheng Li, editor), Washington, DC: Brookings Institution Press, 2010 (forthcoming)

[38] Kharas, H., and Gertz (2010), " The New Global Middle Class: A Cross-Over from West to East", Draft version of Chapter 2 in "China's Emerging Middle Class: Beyond Economic Transformation", (Cheng Li, editor), Washington, DC: Brookings Institution Press, 2010 (forthcoming)

[39] According to Kharas and Gertz (2010), 94percent of Korea's population is middle class. (See Kharas, H., and Gertz (2010), " The New Global Middle Class: A Cross-Over from West to East", Draft version of Chapter 2 in "China's Emerging Middle Class: Beyond Economic Transformation", (Cheng Li, editor), Washington, DC: Brookings Institution Press, 2010 (forthcoming)).

Good public policies for growth and how they were implemented: Page (1994)[40], and his colleagues, the World Bank (1993)[41] have written about the factors accounting for the East Asian rapid growth – and emphasized the key policy fundamentals and their pragmatic implementation in these countries. Both Page (1994) and the World Bank (1993) have stated that these countries had unusually good macro-economic management and that macro-economic performance was also unusually stable – and that this provided the essential framework for private investment. Monitoring of selected intervention using clear performance criteria by the institutional mechanisms that these countries developed is reported to have taken place too in an unusually disciplined and performance–based manner[42]. They add that there were policies in place to increase the integrity of the banking system, and that these policies made the financial system accessible to non-traditional savers – something that increased the levels of financial savings[43].

Fiscal discipline was very important for these countries. Ratio and use of debt is important too for growth, and is part of getting the fundamentals right. For some such as Thailand, it had very low initial external debt ratios to GPD which meant that external financing was available when needed[44]. Even Indonesia, Republic of Korea, and Malaysia which had acquired considerable levels of foreign debt, their debt to export ratios were lower than other developing countries – and so their creditors never lost faith in them[45]. Prudent use of debt for development expenditure as opposed to consumption expenditure was a good policy decision for these economies. Because of there being budget rules and legislation that required that the sovereign debt be used for development expenditure helped to ensure that borrowing funded investment as opposed to consumption expenditure[46]. Something related to fiscal discipline that we need to mention is that Indonesia, Korea, Malaysia, and Thailand had public or public guaranteed foreign debt. However, Singapore, Hong Kong, and Taiwan

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[40] Page, J., (1994), The East Asian Miracle: Four Lessons for Development Policy, NBER Macroeconomics Annual 1994, Volume 9, 219 - 282

[41] The World Bank (1993): The East Asian Miracle: Economic Growth and Public Policy. Oxford: Oxford University Press

[42] Amsden 1989 cited in The World Bank (1993:5): The East Asian Miracle: Economic Growth and Public Policy. Oxford: Oxford University Press

[43] Page, J., (1994:234), The East Asian Miracle: Four Lessons for Development Policy, NBER Macroeconomics Annual 1994, Volume 9, 219 - 282

[44] Page, J., (1994:237), The East Asian Miracle: Four Lessons for Development Policy, NBER Macroeconomics Annual 1994, Volume 9, 219 - 282

[45] The World Bank (1993:348): The East Asian Miracle: Economic Growth and Public Policy. Oxford: Oxford University Press

[46] The World Bank (1993:348): The East Asian Miracle: Economic Growth and Public Policy. Oxford: Oxford University Press

had not borrowed abroad[47]. We have a good lesson tell African countries about growth without having borrowed from abroad as in the case of Singapore, Hong Kong, and Taiwan.

Other policy interventions covered the building of human capital (we have looked at this), how to create an effective and secure financial system (we know that there was a serious financial crisis later in 1997-9 which saw the exit of Suharto of Indonesia), limiting price distortions, how to absorb foreign technology, and limiting against agriculture.

We will at the latter two. First, limiting price distortions is important though it may be difficult to undertake in a liberalized economy being practiced in most countries today. In the case of the East Asian economies, the combination of competitive real exchange rates and moderate protection levels brought domestic prices of traded goods closer to international prices (than in other developing countries) [48]. Last, limiting the bias against agriculture while promoting value addition and developing the services sector is important. Agriculture is still important to both low and middle income economies of SSA. In these economies, agriculture became a source of capital and of labour for the manufacturing sector. In Africa, it is a source of capital, labour and raw materials for agro-based industries. In these East Asian economies there was no negative bias against agriculture –as industry grew to boost exports. There was wide adoption of Green revolution technologies, high levels of investment in rural infrastructure (as also happened in China), and limited direct and indirect taxation of agriculture – which made rural incomes and productivity rise more in East Asia than in other regions[49]. Not ignoring agriculture and resources were being pulled into manufacturing by rising wages and increasing returns, ensured that rural-urban income differentials were smaller in this region than in many other developing countries[50]. Big rural-urban income differentials explain rural-urban migration for the unskilled workers that end up a big problem for most cities in Africa. Minimizing rural-urban income differentials means that those who can not offer skilled labour in urban industries keep in rural areas gainfully employed in agriculture.

Building basic institutions for growth and *Effective system of public administration* are important for growth. East Asian countries used them to direct and monitor policies,

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[47] Page, J., (1994:239), The East Asian Miracle: Four Lessons for Development Policy, NBER Macroeconomics Annual 1994, Volume 9, 219 - 282
[48] The World Bank (1993:351): The East Asian Miracle: Economic Growth and Public Policy. Oxford: Oxford University Press
[49] The World Bank (1993:352): The East Asian Miracle: Economic Growth and Public Policy. Oxford: Oxford University Press
[50] The World Bank (1993:352): The East Asian Miracle: Economic Growth and Public Policy. Oxford: Oxford University Press

strategies, activities, and programmes as their economies grew. We have covered these aspects in other parts of the book.

Export-push strategy: while in trade policies in all East Asian HPAEs (except Hong Kong) went through an import-substitution phase with high levels of protection of domestic import substitutes, policies that favoured the production of import substitutes to the disadvantage of exports were abandoned[51]. Instead the governments strongly adopted strategic pro-export policies that included the establishment of a free trade regime for exporters – and offered several other incentives for export[52].

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China

This country started reform processes to market economy in 1978. At the current, it is among the global players in both exports and imports. It is the second biggest consumer of energy, after USA. It is has big foreign exchange reserves. It is has achieved rapid and sustained levels of growth for over 30 years. Though currently the level of growth is lower than in the last decade (and some analysts saying its growth will decline because it is based more on exports), it still has a higher level of growth compared to SSA's average. As this book is being published, china is still not yet a liberal democracy.

Looking at these three examples, it shows that growth precedes democracy but that ultimately democracy is achieved gradually. China is covered widely in other parts of this book.

IDENTIFYING INTERNAL CAUSES FOR AFRICA'S GROWTH

Africa's slow economic transformation and elusive inclusive growth
Why has Africa not transformed?

The UN Economic Commission for Africa (UNECA 2013:4) has identified factors why Africa has not transformed. These are both internal and external[53]. The internal factors that UNECA identifies are poor economic management capacities typified by macro-economic instability, poor planning design and implementation capacities, weak institutional and individual capacities limited investments in social and economic infrastructure, limited investment in technology and R&D and political instability[54]. External factors it has identified are limited

[53] UNECA (2013:4); "Economic Transformation for Africa's Development" C-10 Meeting April, 2013 Washington D.C

[54] UNECA (2013:4); "Economic Transformation for Africa's Development" C-10 Meeting April, 2013 Washington D.C

policy space due in part to conditionalities imposed by the Bretton Woods organizations IMF and The World Bank) and development partners who overstate the importance of market led approaches to development; barriers to trade that undermine export revenues and constrain exports of manufactured goods; disproportionate concentration of ODA in the social sectors as opposed to the productive sectors of agriculture and industry; concentration of FDI in extractive mineral and gas sectors of the economy with limited investments in value addition; and climate change's destructive impact on infrastructure and livelihoods[55].

Many countries in Africa need economic transformation. We need to understand the difference and relationship between economic transformation and economic growth. There is widespread recognition of the importance of economic growth to economies. There is however little appreciation of the link between economic growth and economic transformation. In this book, we will explain not only the link between economic growth and economic transformation but also discuss the determinants of economic performance.

Economic growth has always been viewed as the quantitative increase in the volume of goods and services. It is currently viewed as the continuous improvement in the capacity to satisfy the demand for goods and services, resulting from increased production scale, and improved productivity (innovations in products and processes)[56]. Economic growth (or GDP) can be measured as total output, consumption or expenditure. GDP growth can be measured in terms of demand which is the total expenditure on goods and services, or supply which is the total goods and services produced. The growth in demand can outstrip supply for a while by borrowing, but is ultimately constrained by the income generated by supply[57]. There are different concepts of economic growth and ways of measuring it, but the core definition is in terms of growth in the long-run productive capacity of the economy, typically measured by real growth in Gross Domestic Product (GDP)[58].

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[55] UNECA (2013:4); "Economic Transformation for Africa's Development" C-10 Meeting April, 2013 Washington D.C

[56]Source: DFID, "Sources Of Economic Growth", Trade and Investment Analytical Papers, Topic 6 of 18: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32468/11-723-sources-of-economic-growth.pdf (accessed on 1/10/14)

[57]Source: DFID, "Sources Of Economic Growth", Trade and Investment Analytical Papers, Topic 6 of 18: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32468/11-723-sources-of-economic-growth.pdf (accessed on 1/10/14)

[58]Source: DFID, "Sources Of Economic Growth", Trade and Investment Analytical Papers, Topic 6 of 18: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32468/11-723-sources-of-economic-growth.pdf (accessed on 1/10/14)

The key ingredients for economic growth are capital, labour and productivity. The sources of economic growth are known to be capital accumulation and utilization, technology and labour productivity. Traditionally, these sources included land.

Once ingredients are mixed very well - and with good political leadership - the economy will achieve rapid economic growth. Economic growth is vital and necessary for development. Ultimately, countries aim to achieve development in its varied multidimensionality of economic, political and social. The Growth Report (2008) by the *Commission on Growth and Development* observes that growth is not an end in itself. But it makes it possible to achieve other important objectives of individuals and societies. It can spare people *enmasse* from poverty and drudgery. Nothing else ever has. It also creates the resources to support health care, education, and the other Millennium Development Goals (MDGs) to which the world has committed itself. In short, we take the view that growth is a necessary, if not sufficient condition for broader development, enlarging the scope for individuals to be productive and creative. (The Growth Report 2008:1).

Determinants of economic performance

The rate of growth of any economy is determined by the accumulation of physical and human capital, the efficiency of resource allocation, and the ability to acquire and apply modern technology. What is required for faster growth is a change in the economic environment that facilitates both the accumulation of production factors and their efficient allocation, and the introduction of better technologies. There is by now extensive evidence that, this requires economic policies at the micro level to develop and sustain efficient markets, while macro policy must be geared to guarantee macroeconomic stability. An efficient economy also requires a supporting environment of efficient institutions (Bigsten, A., 1998). Let us look at these determinants closely:

Investment is the most fundamental determinant of economic growth. Both foreign and domestic investments are vital for any country's development. FDI are also vital for boosting capital injection and technology transfer in the economy and exports.

Human capital is another source of growth. Because 'human capital' refers principally to workers' acquisition of skills and know-how through education and training, the majority of studies have measured the quality of human capital using proxies related to education (e.g. school-enrolment rates, tests of mathematics and scientific skills, etc.). It is usually the level of education and skills that of the current workforce that generate the scientific knowledge which becomes the basis for economic progress; and enable the either the adaptation or adoption of these technologies by different firms within various sectors.

Innovation and R&D activities may influence the rate of growth positively. This is due to increasing the use of technology that enables the introduction of new and superior products and processes of production.

Economic policies may influence aspects of the economy through for example investment in infrastructure and human capital, improvement of the political and legal institutions that support private sector development. Macroeconomic conditions are regarded as necessary but not sufficient conditions for economic growth. Generally, a stable macroeconomic environment may favour growth, mainly through reduction of uncertainty, whereas macroeconomic instability may have a negative impact on growth through its effects on productivity and investment (e.g. higher risk). Several macroeconomic factors which impact on growth have been identified in the literature, but considerable attention has been placed on inflation, fiscal policy, budget deficits and tax burdens.

Openness to trade has been identified by literature as another determinant for economic growth. There is ample literature that has found out that economies that are more open to trade and capital flows have higher GDP per capita and grew faster. Openness is usually measured by the ratio of exports to GDP. There is another measure of openness which seems appropriate that has been proposed by Sachs and Warner (1995). According to this measure, an economy is considered to be quite open if it satisfies the following five criteria: (a) average quota and licensing coverage of imports are less than 40 per cent (b) average tariff rates are below 40 per cent (c) the black market premium is less than 20 per cent, (d) no extreme controls are imposed on exports, and (e) the country is not under a socialist regime.

There are other researchers who argue that opening up doesn't always deliver growth and reduce poverty. Even The World Bank, "Economic Growth in the 1990s: *Learning from a Decade of Reform"* has acknowledged this. It acknowledges that trade liberalization is not a panacea for growth. But it also finds that some economies with good institutions that opened up, achieved high rates of growth. It is true to say that the East Asian economies ['Asian Tigers'] were originally not fully liberalized - some with capital account controls and state involvement in investments and business. This changed gradually. They have now advanced. China is also following the same model. Like Japan during the Meiji period or Taiwan, China is reforming the market gradually.

Institutional framework: The role of institutions in boosting economic performance have for a long time been acknowledged since 1955 by Lewis[59] and Ayres 1962[60]. Rodrik (2000)[61] has highlighted five key institutions (property rights, regulatory institutions, institutions for macroeconomic stabilization, institutions for social insurance, and institutions for conflict management), which exert direct influence on economic growth, and also affect other determinants of growth such as the physical and human capital, investment, technical changes and the economic growth processes. Acemoglu and Robinson (2012), and Twineyo-Kamugisha (2012) also see the importance of institutions to economic growth. Many researchers focus on a narrower concept relating to the role of government institutions: *property rights; regulatory institutions; macroeconomic stabilization; social insurance; conflict management; and political rights (*These are covered in the entire book). The World Bank has developed a range of indicators to measure the quality of institutions and governance, grouped under 6 themes: *voice and accountability; political stability and lack of violence; government effectiveness; regulation quality; rule of law; and corruption*[62].

Political factors: There is a relationship between political factors and economic growth. Political instability will likely increase uncertainty, discouraging investment and eventually hindering economic growth. Countries that have experienced long spells of political instability have also had retarded growth. There are many examples in Africa such as DRC, Central African Republic (CAR), Somalia and Sudan, extra.

Social capital: This is an important aspect in economics. There is no universal definition of social capital. OECD (2001) looks at four board approaches of understanding the concept.

1) The economic literature draws on the assumption that people maximize their personal utility, deciding to interact with others and draw on social capital resources to conduct various types of group activities (Glaeser, 2001[63]). In this approach, the focus is on the investment strategies of individuals faced with alternative uses of time.
2) A strand in the political science literature emphasizes the role of institutions, political and social norms in shaping human behaviour. Recent work at the World Bank on the role of

[59] Lewis, A., (1955): The Theory of Economic Growth. London: Allen and Unwin
[60] Ayres, C.E., (1962): The Theory of Economic Progress. New York: Shocken Books
[61] Rodrik, D., (2000), "Institutions For High-Quality Growth: What They Are And How To Acquire Them", NBER Working Paper No. 7540
[62] http://info.worldbank.org/governance/wgi/index.aspx#home (accessed on 1/24/2015).
[63] Glaeser, 2001 cited in OECD (2001:41),"The Well-being of Nations: The Role of Human and Social Capital", Paris: OECD

social capital in reducing poverty and promoting sustainable development has emphasized the role of institutions, social arrangements, trust and networks.

3) The sociological literature describes social norms and the sources of human motivation. It emphasizes features of social organization such as trust, norms of reciprocity and networks of civic engagement; and
4) The anthropological literature is the source for the notion that humans have natural instincts for association. (OECD 2001:41)

Social capital allows individuals, groups and communities to resolve collective problems more easily[64]. Three types of trust need to be distinguished: inter-personal trust among familiars (family, close work colleagues and neighbours); inter-personal trust among "strangers"; and trust in public and private institutions. (OECD 2001:42)

Trust can be referred to as social capital. Social capital is built overtime and benefits economic growth when individuals in groups contribute to attainment of society's economic goals. Trusted economies are expected to have stronger incentives to innovate, to accumulate physical capital and to exhibit richer human resources, all of which are conducive to economic growth. At firm level, a company will attract more cheap finance if it is viewed as credible or trusted.

Social –cultural factors have a bearing on economic growth. Ethnic diversity, in turn, may have a negative impact on growth by reducing trust, increasing polarization and promoting the adoption of policies that have neutral or even negative effects in terms of growth (Easterly and Levine, 1997[65]). There are other social–cultural factors that may have an indirect influence on economic growth. These include ethnic composition and fragmentation, language, religion, beliefs, attitudes and social/ethical conflicts. With goods political leadership, cultural diversity can have a positive effect since it may give rise to a pluralistic environment where cooperation can flourish. But it may have a negative impact on growth due to emergence of social conflicts caused by feelings of unfair distribution of the 'national cake' by some ethnic groups. This is most common in Africa.

Economic growth versus economic transformation

An economy can experience growth without transformation but once it has achieved economic transformation, it also grows at the same time. While you can have growth without

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[64] OECD (2001:42),"The Well-being of Nations: The Role of Human and Social Capital", Paris: OECD

[65] Easterly, W., and Levine, 1997 "Africa's Growth Tragedy: Policies and Ethnic Divisions". The Quarterly journal of Economics 112 (4): 1203-50

economic transformation, you can never have economic transformation without growth. Agricultural reforms and expanded investment in rural infrastructure can provide the basis for economic transformation in Africa. This is the subject of the book. China did it and it became a basis for economic transformation and poverty reduction. According to the current President of the African Development Bank, Kaberuka (2012), economic transformation is characterized by three features:

i) The structure of the economy changes depicting an increase in the share of manufacturing coupled with a sustained decline in the share of agriculture.
ii) The share of agriculture employment falls while the share of total labour force in other sectors of the economy increases.
iii) Economic activity shifts from rural areas to the cities leading to an increase in the degree of urbanization.

Experience shows that for agricultural based economies, economic transformation begins with reforms in the agricultural sector in order to raise productivity. This was the experience of South Africa in the 1950s and early 1960s and China in the late 1970s after it embraced market friendly policies which it called 'open door policy'. Economist Schultz (1978) has argued that productivity-led agricultural growth is more important for economic transformation than simply sending "surplus" labour to urban industry.

The quality of basic education is also important in achieving inclusive growth not merely economic growth. Quality; 'not merely quantity' of education is important. A country does not need to have youths who are both unemployed and also unemployable. Vocational education and technical education are also necessary to economic transformation. There is also the need to link the domestic economy to the global value chains. To export. To realize more exports requires that there are improvements in product design, marketing and logistics. Attracting and retaining FDIs is important because of the technology and capital that they bring into the country.

Above all the state must play the role of formulating policies and promoting private development as it has been done in Asia targeted to boost key sectors, and as in Chile promote a new industry.

As Max Weber once noted that the state has '*monopoly of the legitimate use of physical force*[66], the state is considered the sole source of the 'right' to use violence[67]. Specifically, at the present time, the right to use physical force is ascribed to other institutions or to individuals only to the extent to which the state permits it[68]. The need for public institutions to support the private sector as it grows is important. Such institutions include investment and export promotion agencies and law and order.

To transform an economy, we need to address some of the basic ingredients of growth strategies like budgetary allocations, taxes, exchange rates, trade and industrial development policies, role of regulations, monetary policies, divestiture and privatization.

Africa economic transformation and inclusive growth

Economic transformation is pertinent to inclusive growth. We need to note at the outset that inclusive growth is not easy to realize in an economy (and especially in the many Sub-Saharan countries). When they were developing, Britain, USA, or Germany for example did not immediately realize inclusive growth. Economic growth that is fast–paced does not lead to or achieve inclusive growth. Such growth leaves out the majority of the poor, which is a commonest characteristic of the many African countries. During the industrial revolution, Britain grew but did not immediately achieve inclusive growth. There was a big portion of the population that was excluded from this growth. Actually the industrial revolution made some trades redundant as with the invention and use of new machines such as the spinning mills. There were strikes by various trades' people (people that rely on skills or vocations) against the new revolution. It also affected the aristocratic landowners as labour migrated to factories, industries and towns.

For around 150 years, USA was realizing growth around 1.5 percent but still had and has some portion of the population not enjoying this growth. Inclusive growth has also eluded the USA. To date, the USA also still has a big population of around 45 million poor people (out of the total population of 309 million) in 2011 and 2012[69]. This is about 15 per cent of

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[66]Max Weber: Politics as vocation (source: http://www.sscnet.ucla.edu/polisci/ethos/Weber-vocation.pdf (accessed on 01/04/2014)
[67]Max Weber: Politics as vocation (source: http://www.sscnet.ucla.edu/polisci/ethos/Weber-vocation.pdf (accessed on 1/4/14)
[68]Max Weber: Politics as vocation (source: http://www.sscnet.ucla.edu/polisci/ethos/Weber-vocation.pdf (accessed on 1/4/14)
[69]A single person under age 65 with income under US$11,945, or a couple with two children and income under US$23,283, was poor in 2012. (Nichols, A., (2013:1), "Poverty in the United States", Fact Sheet,

the total population. Poverty rates and thresholds in USA differ depending on races or groups. The poverty rate for the African-Americans and Hispanics (Latinos) is greater than for the Caucasians. This illustrates the elusive quest for inclusive growth.

Germany, after suffering the effects of the WWII, undertook to build a vibrant economy and a state. They undertook *Wollstand fur alle* ('prosperity for all') under the Social Market Economy (SME) approach to developing the economy. It is a kind of hybrid capitalism. The pursuit of the concept of SME does not negate the individual's self-motivation for a better living. The SME recognizes the particular potential of partnerships that amplifies the energy, creativity and resources of a nation by building a sense of belonging and togetherness among all citizens.

While promoting the values of individual freedom, competitiveness and profitability, the concept of SME also demands consideration of justice, order, responsibility, solidarity, subsidiarity, and common welfare. These describe the core principles of the SME development framework (Muhumuza, 2011:4). Compared to pure capitalism with survival for only the fittest; this considers other people in society too. With Social Market Economy, there is what is called Ordoliberalism – where the role of the state is to provide order that enables a liberal society to strive for freedom. According to Horst Kohler, former president of the Federal Republic of Germany (and former Managing Director IMF), Ordoliberalism unites the Latin words meaning "well-ruled order" and "strive for freedom"….. Ordoliberalism addresses the question of how best to balance state and society, public policy and private enterprise, power of the state and freedom of the individual, general welfare and exclusive profit seeking (Kohler 2011:2). He states that ordoliberalism answers: The state must regulate the *forms* of the economical process, it must set the rules for competition and guarantee compliance and the state must provide public goods but should refrain from micromanaging the citizen's affairs. In other words: If one compares the economy to a ballgame, then the state must set its rules including incentives and disincentives and act as a referee, but it is mainly the citizens who shall play - and make the game (Kohler 2011:2).Since markets do not always attract decent people alone, the state must ensure the existence of rules and public institutions that guarantee the rule of law and prevent individual persons from destroying the necessary fairness, without micromanaging the economy[70].

Urban Institute (http://www.urban.org/UploadedPDF/412898-Poverty-in-the-United-States.pdf(accessed on 01/01/2014)

[70] Muhumuza (2011: 5-6), "*The Principles of Social Market Economy and Poverty Reduction in Uganda*", Pro-Poor Development and Poverty Reduction in Uganda and the Idea of Social Market Economy;

Even with social market economy approach, German also did not achieve inclusive growth in short and medium term. It reduced the levels of absolute poverty in the very long term. In 1996 German reduced almost completely absolute poverty. In the same year the number of the population in the middle class grew and by 2010 had more than 60 percent of its population in the middle class.

There is a valid reason why we should argue for economic transformation for countries that are still developing. To ensure that the sector that employs and sustains the livelihoods of the majority people is supported and pushed to add value. In the long run there can develop agro-based and related industries. Historically, there were many farmers and peasants in the US and the UK. This has changed along the development path. US for example relies on around 3 percent of the population engaged in agriculture. When countries grow and develop, it has been that the leading sectors for employment and GDP is industry and services. Tourism and industry are pertinent to most of African SSA economic success once well planned and managed.

By ensuring that the sector where the majority of the citizens derive their income and livelihoods is supported and that it contributes a lot to GDP, the economy may achieve a higher level of inclusive growth. The concept of inclusive growth does not only imply poverty reduction alone. Like the term development, it is a multidimensional concept which among others includes poverty reduction, equity, and regional equality.

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African leaders and the leadership question

Leadership question: Is Africa's problem mainly a leadership problem or lack of institutions? Who creates institutions or systems in a country?

In my discussions with both African-based and foreign-based researchers, scholars and analysts, I have asked why some countries in Africa, such as Botswana, Mauritius, Rwanda, and Ethiopia – with some also including Uganda have been able to achieve impressive rates of growth over a long span of years. All these countries, except Botswana, have not benefitted from mineral wealth. Ethiopia may be known for consuming locally most of the coffee it produces, has had several dry spells and devastation caused by drought. Rwanda is just a small mountainous country always facing threats from its former army in DRC in the north. Uganda, mainly exporting primary commodities, (it has found oil but this oil has not yet passed through the taps) has had loads of periods of conflicts and war.

So what has been the basis for these countries success? We propose leadership effectiveness. Some leaders have been regarded by some as charismatic and effective leaders. Others, mainly in the west, have viewed these leaders as dictators. Dictators or not, leadership effectiveness matters. And effective leaders matter. So we have not only pre-occupy ourselves with leadership but dig deep and see how leaders lead. To do this we analyses leadership effectiveness by individual leaders. Effective leaders should do the establish institutions to promote private sector and exports growth (to boost jobs in the economy), safeguard the lives and property of individuals, and build a good image for the country. A country's image or 'nation brand'[71] matters to growth of African countries. Various experts (including Anholt[72]) have identified common reasons for the need of nation branding. These include: attracting tourists who bring foreign exchange; stimulation of inward FDI; to boost exports; and to attract talent (countries compete to attract higher education students, and skilled workers), among others.

African leaders and the leadership question

I have cherished the ideal of a democratic and free society in which all persons live together in harmony and with equal opportunities. It is an ideal which I hope to live for and to

[71] Nation branding refers to a country's effort to establish a symbol, name, or logo that make it unique; and that nation brand should be likeable (see Source: Dinnie, K., 2008. Nation Branding: Concepts, Issues, Practice; 1/E, Elsevier Ltd.)

[72] Nation branding refers to a country's effort to establish a symbol, name, or logo that make it unique; and that nation brand should be likeable (see Source: Dinnie, K., 2008. Nation Branding: Concepts, Issues, Practice; 1/E, Elsevier Ltd.)

achieve. But if needs be, it is an ideal for which I am prepared to die. (Nelson Mandela, at his trial in 1964)[73]

Leadership is important. The economy can't steer itself to growth without good political leadership. In the history of civilization, there has been the role of leaders. Development was achieved by a people with good leadership. The leaders gave the led the direction and the commitment to work with the people to get out of a bad situation to a better one. Some leaders lost their lives for the sake of the future of their people. Fighting to end colonization and apartheid in South Africa was not a mean step by a charismatic and visionary leadership. Nelson Mandela and colleagues fought for racial equality from the apartheid regime, and they were imprisoned for decades and others lost their lives. After 27 years in prison, Mandela became the first black president of South Africa and shared government leadership with the leaders (Mr. F.W de Clerk) that had jailed him. He did without bitterness and hatred. South Sudan is a new country in the world thanks to the fight and commitment of the revolutionary leaders. Dr. John DeMabior Garang died (in a plane crush on his way back to his country from Uganda) on August 1 2005 after almost sighting the 'promised land'.

The current success of the Far East Asian countries such as South Korea and Singapore has been credited to General Park Chung-he and Lee Kwan Yew (LKY) as their past leaders. It was Lee Kwan Yew who is credited with the development of the island state of Singapore. For South Korea it was General Park Chung-he (he was shot dead by his chief of security). Park is credited with the industrialization of the Republic of Korea - the so-called 'Miracle of the Han River'. Some of these leaders have been referred to as 'benevolent dictators'. As we write, the daughter of General Park Chung-he is the first woman leader or president of this country.

The African leaders need to take good lessons from the Asian leaders. The good lessons only. Commitment and love of their country comes in handy.

Let us look at the African leaders. What have they done to get their countries out of poverty and misery? A few can be credited with boosting economic growth, fighting diseases, and enhancing education for the youth. Most however, have been viewed as those that have instead enhanced their peoples' suffering.

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[73]Source:http://www.whitehouse.gov/the-press-office/2013/12/05/statement-president-death-nelson-mandela (accessed on 12/31/13)

Poor leadership that provides no guarantee for future welfare after retirement has forced populations to make their own pension plans by building homes and secure investments mainly inform or real estate. These are naïve forms of investment. Good, as they maybe, they have a negative effect of slowing growth as these secure but low-yielding assets imply dynamic economic inefficiency[74]. This is a situation when severe cuts in current consumption lead to too much saving for the future, which are not invested optimally thereby purging the economic growth processes in two ways. First, reduced aggregate demand lowers current investment opportunities. Second, choice of secure but longer term investments lowers productivity, which, along with innovation, has been responsible for the bulk of growth in Asia[75].

We should posit that most leaders in Africa are the biggest hypocrites and enemies of the people they lead, and undermine economic transformation. Most of these African leaders that can be viewed as 'present–day kings' have been associated with bad things, and decline of their countries. There are eight (8) common things that make some if not most African leaders regarded as hypocrites or enemies of economic transformation and their people:

i) No commitment to their people and not patriotic or nationalistic.
ii) No deliberate policies for development (population; land; agriculture; etc)
iii) Tendencies of corrupt and rent-seekers; who ask for cash offers from foreign investors to give them licenses; have foreign bank accounts; own streets in London, Washington, New York and lately South Africa (and these are non-South Africans).
iv) Liars and users of individuals for their personal gain.
v) The majority are involved in vote rigging and election fraud throughout Africa.
vi) War mongering and investing more in their weaker armies. Security and defense are important but an obsession with the military is wrong.
vii) They are still leaving in the 18th century and wanting to rule kids of the new age.
viii) 'Tribalists' who discriminate other ethnic groups as a basis for their stay in power.

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[74] Muhumuza, F., (2012:1), "Why Africa Fails: The Case for Growth before Democracy", *Keynote Address (source: http://www.twineyo.com/sites/www.twineyo.com/files/Why%20Africa%20Fails%20keynote%20speach.pdf*(accessed on 12/31/13)).
[75] Muhumuza, F., (2012:1), "Why Africa Fails: The Case for Growth before Democracy", *Keynote Address (source: http://www.twineyo.com/sites/www.twineyo.com/files/Why%20Africa%20Fails%20keynote%20speach.pdf (accessed on 12/31/13)).*

African leaders using ethnicity for their political gains

Let us start with Kenya. Kenya, regarded in the East African bloc as more economically developed than the rest in eastern Africa region, experienced a very horrible situation where more than 1000 people died in conflicts after the 2007 elections. The conflicts had ethnic profound connotations. As a consequence of this, there are still pending court cases at the International Criminal Court (ICC)[76] in The Hague against the current president and his deputy Uhuru Kenyatta and William Ruto respectively. African leaders under AU have requested the ICC to stop the trials of these two individuals because of their status (in most of Africa, a head of state can't be tried while in office); but also arguing that such court can't give long term solution to the question of ethnicity in Africa. That it instead creates winners and losers which still makes permanent foes.

In the recently concluded elections, *it is alleged* that the Uhuru - Ruto alliance knew that they were winning after the end of the registration of voters in the national register. How did they know? They counted the number of those registered in Uhuru's Kikuyu ethnic group and Ruto's Kalenjin ethnic group. And when voting time came later in February 2013, Uhuru and Ruto alliance had won. The history of politics and ethnicity in Kenya are as old as independent Kenya. There are allegations of an institutionalized arrangement that had been planned by the security chiefs and the outgoing president to rig. That more ballots were bought and that the elections body had installed personnel to ensure that Uhuru succeeds. Also, that the Kikuyus put in money and that Uhuru himself, the biggest landlord[77] in Kenya, had invested in the rigging. The effects of rigging for African countries will be addressed later.

In the February 2013 presidential elections, alliances were made based on ethnic groups. The winner Uhuru Kenyatta won allegedly because he was Kikuyu and had made a good ethnic alliance with Ruto, a Kalenjin, another sizeable ethnic group. So issues of national interest and need for a future leader to discuss his manifesto are put aside and instead appeal to, as the Michela Wrong's book title *"It's Our Turn to Eat"*[78]. It is easy to assert that more than other factors, ethnicity is a factor for either gaining or losing a seat. If this is so true, then former Prime Minister Raila Odinga did not lose because he had no better development

[76] Uhuru and Ruto are before the International Criminal Court (ICC) at The Hague on crimes against humanity – which cases include the death of more than 1000 people during 2007 post - election violence. While African countries continue to see the ICC as a court aiming at mainly convicting Africans, they have not withdrawn their membership. It should be noted that USA is not a member of the ICC.

[77] Uhuru, the son of former leader Kinyatta, owns the land equivalent to some small states in USA. He owns prime land in Mombasa on the sea as well.

[78]Michela Wrong the book wrote "It's Our Turn to Eat: The Story of a Kenya Whistle Brower" in 2009 based on information obtained from the former Kenyan permanent Secretary and Ethics Czar – John Githongo.

agenda for Kenya. Neither did Uhuru win because he had better agenda. Agenda matters less to a population that is largely poor and politically not mature. It was because of the influence of ethnicity as a major factor. The more the numbers of your ethnic group, the better are your chances of winning at the ballot box.

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Looking for correlation between democracy and economic growth

Democracy: This is the highest form of development of a country. People decide who to represent them and legislate on their behalf, under representative parliamentary democracy. Members of parliament are the representatives of the people in a parliamentary democracy. The elected president serves the country with the mandate of the people. This happens in the developed countries mainly where there is a fully liberal democracy. In the poor developing countries, democracy western-style is not really practiced. The kind of democracy practiced in some countries, if at all is a sham.

There is no univocally accepted definition of democracy. Yet as a concept and form of government, democracy is very old. It dates ancient Athens (currently in Greece) where every member of the community was a member of the council was their own representative to say in a modern parliamentary system. Athens is regarded as the birthplace of western democracy. Athens then was a small city with a very small population. Currently under parliamentary democracies, the people give their power to their representatives. As Aristotle puts it, 'you surrender your powers to the elected representative'. Democracy is derived from two Greek words: *Demos*, and *Kratia*. *Demos* means the *people* and *Kratia* means *to rule*. So when combined the two refer to how people are ruled. The people will always want to be ruled well and treated with respect. Not as clients but as owners of the government. This in theory means a governance system by the people for the people, as opposed to the rule by one despot (autocracy), or a few (oligarchy)[79].

The idea of a government made by and for the governed was developed further by John Locke (1632-1704). John Locke, an English philosopher's thinking shaped the liberal vision of the Western state which later underpinned the American Revolution of 1770s. He argued that citizens possess natural rights to life, liberty and property and that these rights must be protected by rulers governing through law[80]. Society was placed above rather than beneath the government.

[79]Fayemi, A, K.,(2009), "Towards an African Theory of Democracy: Thought and Practice", Journal of the Philosophical Association of Kenya (PAK)

[80] According to John Locke (1690:412), should rulers violate these natural rights, the people 'are thereupon absolved from any further Obedience, and are left to the Common Refuge, which God hath provided for all Men against force and violence' - the right to resist bad leadership.

Fayemi (2009) argues, whether under a minimalist or maximalist terms of democracy, there are two basic assumptions of democracy, namely, that all people are equal (equality) and that all people are free (liberty). That certain minimum conditions must be met in order for a system to be labeled democratic and that these include, among others and in no particular order, respect for human rights and the rule of law; collective deliberation, choice and participation; representative and accountable government. Democracy emphasizes that values should not be forced upon people, and stipulates liberty, the separation of power, majority rule, and the sovereignty of the people. Democracy gives primacy to political and moral values of equality, reciprocity, and respect for the views of others[81].

Is there are a correlation between democracy and growth?

Empirical studies and analysis shows that there is no direct correlation. Almost all of the rich developed countries in the west are democracies. The fact all of these countries are democratic has for long been taken as iron-clad evidence of the progression from economic growth to democracy.

In its simplest form, the argument is that: economic growth produces an educated and middle class that understands what is good or bad leadership and sooner or later begins to demand to have control over its own fate. That the process of this society demanding for control over its own fate and the movement from authoritarianism to democracy is gradual but that it will later happen. Recent history at least in China and re-emerging Russia has complicated matters. The argument cannot hold very well. As events now exhibit, the link between economic growth and a liberal democracy is actually quite weak. Since 1978 when Chinese reforms of the market orientation and increasing middle class in China – having gotten over 300 million out of poverty by around 2010 – liberal democracy has no yet come to China. During the 1980s, the regime began to introduce elections for members of the village committee in rural areas - and find that elections affected policy outcomes in a way that is consistent with the predicted effects of increased local leader accountability[82]. According to Martinez-Bravo and et al., (2011), the most important positions among them were the village chief (VC). Previously, this position was directly appointed by Chinese Communist Party (CCP) officials. The regime believed that elections would provide the VC with a democratic mandate, and thereby more legitimacy to implement and enforce central government directives in the

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[81] Fayemi, A, K., (2009), "Towards an African Theory of Democracy: Thought and Practice" Journal of the Philosophical Association of Kenya (PAK)

[82]Martinez-Bravo, M., Miguel, G.P., Qian, N., and Yao, Y., (2011), "Do Local Elections in Non-Democracies Increase Accountability? Evidence from Rural China", NBER Working Paper No. 16948.

village. In addition, many proponents of this reform argued that villagers would use elections to monitor and discipline village officials, who were in many cases suspected of corruption and shirking (Martinez-Bravo, et.al. (2011:2).In a 1990 nationwide survey 74.6 percent of rural residents reported that village committee elections had been held in their villages and 37.1 percent said the elections were semi competitive; that is, there were more candidates than seats. Three years later a survey of the same locales revealed that 75.8 percent of respondents reported that their villages had held elections and 51.6 percent of them reported that elections had been semi competitive. Even though the CCP still organizes the elections (Shi 1999:389)[83]

However, this is not fully liberal democracy – western style in China. We take it that this is a long period and enough to have seen changes to a liberal democracy. It is true that among already established democracies a higher per capita income contributes to stability. It is also valid that poverty and social exclusion are linked to the causes of conflicts and wars in Africa – some conflicts are actually over the sharing of the national cake.

The empirical and econometric studies have found out that there is hardly any correlation between regime type and economic performances. While agreeing that economic freedom promotes growth, some scholars doubt whether more political freedom improves economic performance. The argument that what is important is not democracy but having in place the rule of law and policies that improve economic freedom[84]. According to Robert Barro in his article *Democracy and Growth*, the favourable effects on growth include maintenance of the rule of law, free markets, small government consumption and high human capital (Barro, 1996). He adds that once these variables and the initial level of per capita growth are held constant, the overall effect of democracy on growth is weakly negative[85].

Some analysts point to an ominous and poorly appreciated fact: economic growth, rather than being a force for democratic change in tyrannical states, can sometimes be used to strengthen oppressive regimes. Although development theorists are right in assuming that increases in per capita income lead to increases in popular demand for political power, they have consistently underestimated the ability of oppressive governments to thwart those demands[86]. Authoritarian regimes are getting better and better at avoiding the political fallout

[83]Shi, T., (1999),"Village Committee Elections in China: Institutionalist Tactics for Democracy", World Politics, Vol. 51, No. 3 (Apr., 1999), pp. 385-412
[84] Twineyo-Kamugisha (2012:46). Why Africa Fails. Cape Town: Tafelberg
[85] Twineyo-Kamugisha (2012:46). Why Africa Fails. Cape Town: Tafelberg
[86] de Mesquita, B.B., and Downs, W.G., (2005:78), " Development and Democracy", Foreign Affairs, Vol. 84, No. 5 (Sep. - Oct., 2005), pp. 77-86

of economic growth-so good, in fact, that such growth now tends to increase rather than decrease their chances of survival[87]. Autocrats have been forced to introduce modest political changes but have nonetheless managed to limit their scope and hold on to power[88].

Jagdish Bhagwati (2002:151) in his article "Democracy and Development: Cruel Dilemma or Symbiotic Relationship?" says that democracy is not necessarily better for development. Only when combined with markets and openness does democracy offer the best prospect of achieving the efficient, dynamic society that allows development to thrive? He believes that the tradeoff between democracy and development, or the "cruel dilemma" as he called it nearly thirty years ago is by no means a compelling necessity, that the pursuit of political and civil virtue, as the embrace of democracy implies, need not be at the expense of the drive for economic development[89]. IMF staff (Giuliano, et al., 2010) undertook a study on the impact of democracy on the adoption of economic reforms using a new dataset on reforms in the financial, capital and banking sectors, product markets, agriculture, and trade for 150 countries over the period 1960–2004. They found out that democracy has a positive and significant impact on the adoption of economic reforms but there is no evidence that economic reforms foster democracy[90].

John Gerring and colleagues (2005) in their article 'Democracy and Economic Growth' found that the *net* effect of democracy on growth performance cross-nationally over the last five decades is negative or null. Citing over a dozen studies including Barro (1996, 1997), Feng, Y., (1997), Przeworski et al., (2002), and Rodrik and Wacziarg (2004), Gerring and colleagues (2005) make the following conclusions:

To be sure, democracy may have some positive indirect effects for example, greater stability or more extensive property rights. The econometric evidence suggests, however, that these positives are balanced by negatives such that the *net* effect of democracy on growth performance cross-nationally over the last five decades is negative or null[91]. They continued to say that although most of the rich countries in the world are democratic, the direction of

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[87] de Mesquita, B.B., and Downs, W.G., (2005:78), " Development and Democracy", Foreign Affairs, Vol. 84, No. 5 (Sep. - Oct., 2005), pp. 77-86

[88] de Mesquita, B.B., and Downs, W.G., (2005:78), " Development and Democracy", Foreign Affairs, Vol. 84, No. 5 (Sep. - Oct., 2005), pp. 77-86

[89] Bhagwati, J, N.,(2002:151-152), "Democracy and Development: Cruel Dilemma or Symbiotic Relationship?", *Review of Development Economics, 6(2), 151–162, 2002*.

[90] Giuliano, P., Mishra,P., and Spilimbergo, A., (2010), "Democracy and Reforms: Evidence from a New Dataset", IMF Working Paper, WP/10/173,

[91] Gerring, J., Bond, P., Barndt, W., Moreno, C., (2005:323). "*Democracy and Economic Growth: A Historical Perspective* ",*World Politics* 57 (April 2005:324), 323–64.

causality is unclear. One must keep in mind that many rich countries grew from under authoritarian stage to democracy. Indeed, this is a common argument among authoritarian leaders in the developing world.[92]

According to Lee Kwan Yew (former leader of Singapore who ruled for more than three decades), democracy is emphatically not equivalent to justice; it is, at best, a component of justice.[93] It would be wrong for first-world actors to presume that a democratic organization of politics is preferable for countries in the developing world if another regime-type promises greater material reward.[94] Citing The Economist of August 27, 1994: 15, Bhagwati (2002:151) writes that Singapore's former Prime Minister Lee Kuan Yew speaking on how his "soft" authoritarian rule allowed Singapore to sustain high rates of growth. Lee Kuan Yew has argued thus "I believe what a country needs to develop is discipline more than democracy. The exuberance of democracy leads to indiscipline and disorderly conduct which are inimical to development."[95]

Bhagwati continues to say that indeed, the phenomenal success of the East Asian economies like Hong Kong, Singapore, South Korea, Taiwan, and mainland China—none of them having democracies in a substantive sense during their miracle years, has created for some a sense that democracy is inconsistent with development[96]. As a comparison, he also notes that the fact is that non-democratic countries have had an immense variety of performances, ranging from the spectacular in East Asia to disastrous in many nations of Africa. Looking only at the developing countries in the postwar period, therefore, he notes that it would be hard to conclude that democracies have had less rapid developmental performance[97].

Let us conclude that econometric, time series and any analysis should not take away the fact that democracy is good for harmony, peace and stability of countries in Africa which are always divided and disunited by the politics of ethnicity and regional discrimination. Let us

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[92] Gerring, J., Bond, P., Barndt, W., Moreno, C., (2005): "*Democracy and Economic Growth: A Historical Perspective*", *World Politics* 57 (April 2005), 323–64.

[93]According to Arneson (2004), justification for democracy rests on its propensity to reach just decisions, thus identifying the virtue of democracy with the larger virtue of justice. (Arneson, R.J., (2004), "Democracy Is Not Intrinsically Just" (http://philosophyfaculty.ucsd.edu/faculty/rarneson/democracyandjustice1.pdf (accessed on 1/11/14))

[94] Lee Kuan Yew, quoted in *The Economist*, August 27, 1994, Page 15.

[95] Lee Kuan Yew, quoted in *The Economist*, August 27, 1994, Page 15.

[96]Bhagwati, J, N., (2002), "Democracy and Development: Cruel Dilemma or Symbiotic Relationship?", *Review of Development Economics, 6(2), 151–162, 2002,* Blackwell Publishers Ltd 2002.

[97]Bhagwati, J, N., (2002), "Democracy and Development: Cruel Dilemma or Symbiotic Relationship?", *Review of Development Economics, 6(2), 151–162, 2002,* Blackwell Publishers Ltd 2002.

go for values attached to democracy such as freedoms, human rights and equality before the law and tolerance of the differences that exit because of the ethnic origin, age, and gender.

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Regular Elections and multi-party democracy

It's not the people who vote that count; it's the people who count the votes – Attributed to Joseph Stalin[98]

According to Golder and Wantchekon (2004), authoritarianism rather than democracy has dominated the post-war history of independent Africa. They state that there have only been 189 country-years of democracy in Africa compared to 1823 country-years of dictatorship between 1946 and 2000. These researchers continue to state that elections have been held and played an important role in Africa during the authoritarian and democratic periods. They

[98]http://pluslucis.univie.ac.at/FBW0/FBW2013/Material/Rf_Klimek_Elections.pdf (accessed on 10/27/13)

find that dictatorships still outstrips the number of democracies by a considerable margin despite the transitions to democracy that happened in the early 1990s. So therefore elections cannot be viewed as an indicator for democracy in Africa.

It is not easy to provide a definition of which election should be classified as democratic. It is also problematic to develop testable and generalizable conclusions with regard to African democratic elections. Again, Golder and Wantchekon (2004) state that much of the recent research on African elections fails to provide a consistent definition of which elections should be considered democratic. That the elections that are treated as democratic often vary from author to author. They assert that it is problematic if one wants to develop testable and generalizable conclusions regarding African democratic elections. Citing Przeworski and Vreeland (2000)[99], they classify *a regime as a dictatorship if the chief executive is not elected, the legislature is not elected, there is no more than one party, or there has been no alternation in power. In other words, a regime is democratic if those who govern are selected through contested elections*[100]. Their analysis and conclusions are based on the argument that "If there is no alternation in power, regimes are treated as dictatorships". This classification of African regimes is used because it is consistent, stated clearly and based on observable judgments rather than subjective ones. It is noted that this classification omits elections such those that take place in Botswana. Botswana has been ruled by one party Botswana Democratic Party (BDP) since independence. The argument is that there is some uncertainty as to whether elections are held in Botswana only because the ruling party is certain to win them and whether the ruling party would handover office if it ever lost[101].

African dictators often held elections, had legislatures and organized political parties. It remains an open research question as to why these seemingly democratic electoral institutions were chosen given that 'parties do not compete, elections do not select, and legislatures do not decide' in dictatorships (Gandhi 2004 cited by Golder and Wantchekon, 2004:3). There is growing widespread sense that in many African countries, elections have not been centred on key policy accountability. This has had marked consequences for economic growth and development for such countries.

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[99]Prezeworski, A., and Vreeland, J.R., (2000), "The Effects of IMF Programs on Economic Growth", Journal of Development Economics 62(2):385-421

[100] Golder, M., and Wantchekon, L, (2004:2): "Africa; Dictatorial and Democratic Electoral Systems since 1946", Forthcoming in: Colomer, Josep. ed. 2004: Handbook of Electoral System Design. London: Palgrave.

[101] Golder, M., and Wantchekon, L., (2004:2): "Africa; Dictatorial and Democratic Electoral Systems since 1946", Forthcoming in: Colomer, Josep. ed. 2004: Handbook of Electoral System Design. London: Palgrave.

As an aspect of democracy, periodic elections do not result in tangible political change in most African states[102]. This is because the elections are seldom free and fair. Free and fair elections are important for the vote to count. There is election rigging, voter bribery, ballot stuffing and the sort. The majority will not vote for the leader with the agenda that will propel economic and social development. The leader will not be a people's choice. Where the vote does not reflect the will of the people then it results in riots, and social unrest. There is political dissent. There is a tendency to clamp down on the opposition. The chief vote thief is the national elections body of the country. Instead of being neutral and independent they take sides with incumbent and the regime. They do everything in the book to ensure that the incumbents and/or regime come back via a flawed election.

It matters who heads electoral body and therefore counts the vote. There are hardly independent electoral commissions – with independent officials. This claim has been made of Zimbabwe when Morgan Tsvangirai was allegedly rigged – and later made prime minister as a reconciliation. Similar allegations have been said of recent elections in of Zimbabwe. It is alleged to have happened in Kenya 2007 and people died. It is claimed that Raila Odinga had won and was cheated by President Kibaki. It is alleged in recent elections in of Kenya. In Uganda, opposition has been in and out of court over election malpractices.

Voters are not agenda-or issue-driven when voting, and they may not even know why they are voting. Evidence has shown that they can be induced to cast their ballots[103]. It has been claimed that a vote can cost as little as a quarter of one dollar in local currencies in Africa. Before we continue, let us make it clear that sharing power after a contestable election smirks of greed or selfishness. It does not portend well. Those who have tried it – Raila Odinga (Kenya), and Morgan Tsvangirai (Zimbabwe) have all lost in the next elections. May be – all other factors also considered – the voters did not trust them more.

Clientelism and vote-buying have been prevalent in many elections since around 2000 to date. Analysts find that this is the situation[104].Before we go along let us understand the patron–client networks and clientelism. The patron–client network is a major technique for controlling society's participation in authoritarian states. This practice is oftentimes called clientelism; a form of political involvement which differs from voluntary participation in liberal

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[102] See Twineyo-Kamugisha (2012:47). Why Africa Fails. Cape Town: Tafelberg

[103] See Twineyo-Kamugisha (2012:52) Why Africa Fails. Cape Town: Tafelberg

[104]See Wantchekon, L., (2003), "Clientelism and Voting Behavior: Evidence from a Field Experiment in Benin", World Politics 55 (April 2003), 399–422; and Collier, P., and Vicente, P.,(2012), "Violence, Bribery, and Fraud: The Political Economy of elections in Sub-Saharan Africa". Public Choice, Volume 153, Issue 1-2p. 117-147

democracies. Although patron–client relationships are found in all political systems, authoritarian regimes offer the full expression of such relationships. Patron–client relationships are traditional, informal hierarchies held together by exchanges between a high status (patron) and lower status (client). The clients, lacking resources of their own gather around their patron (as other worker bees around the queen) for security and protection. The patrons are the party leaders, government ministers, ethnic or cultural leaders (e.g. kings or chiefs), employers and landlords.

On the legitimacy and integrity of the electoral process in African countries, the Africa Governance Report II, (2009:33)[105] puts it that elections have yet to be free and fair in most African countries, even though the intensity of voter fraud is not uniform among the emerging democracies. The report continues that electoral irregularities, rigging and fraud have led some to question the extent to which voting and elections reflect the choices of the people. Electoral violence and ballot fraud, part of voter fraud[106], have been prominent in most the elections in Africa[107]. Some members of parliament win office through vote buying, rigging, bribery and violence. Studies have shown significant vote buying in countries like Cameroon, Kenya, Uganda, Zimbabwe and Nigeria (Stapenhurst et al. 2006).

There is also voter intimidation. Theoretically, this is less expensive than voter bribing. The voters are scared from voting. They don't vote. Voter turn-out reduces. But the incumbent usually takes the day.

Why do dictators allow elections at all? There is a key reason why elections are allowed and held in a dictatorship in African countries. It is more useful to see elections in African dictatorships as a means for recruiting the political elite or as ceremonial performances that help enforce citizen obedience, induce complicity, and socialize the electorate. This is according to Golder and Wantchekon (2004:3) citing Chazan 1979, and Cliffe 1967). Elections also help a regime improve on its image abroad. They begin seeing that country making

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[105] UNECA(2009) , "Africa Governance Report II", Oxford University Press

[106] *Voter fraud is the "intentional corruption of the electoral process by the voter."* This definition covers knowingly and willingly giving false information to establish voter eligibility, and knowingly and willingly voting illegally or participating in a conspiracy to encourage illegal voting by others. All other forms of corruption of the electoral process and corruption committed by elected or election officials, candidates, party organizations, advocacy groups or campaign workers fall under the wider definition of *election* fraud. (Source: Minnite, L, C., "The Politics of Voter Fraud", Barnard College, Columbia University: http://www.bradblog.com/Docs/PoliticsofVoterFraudFinal.pdf (accessed on 11/17/13)

[107] See Collier, P., and Vicente, P.C., (2012), "Violence, Bribery, and Fraud: The political Economy of Elections in Sub-Saharan Africa", Public Choice, Vol.153: 117-47

efforts towards democracy. The IMF and the World Bank can then allow funds support to come in.

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Are African Leaders staying long in power a problem?

Before we examine the impact of leaders staying longer in power in either Asia or Africa, we need to observe that a leader staying long in power is first and foremost that individual's decision (influenced among others by the politics of the day, personal health situation, and the economics). Nelson Rolilhala Mandela (who died in December 2013) would have stayed in power for life and a few would have dared to challenge him. Instead he was president of South Africa for only one term. No other current leader in Africa can claim 'more love' for his country than Nelson Mandela. He was tormented. He was jailed on Robben Island and other prisons for 27 years by the apartheid racist regime. He came out without bitterness. Still to add on to this, he served only one term. Period. Characterizing democracy, Aristotle (1962, book VI), proposes that the "*Tenure of office should be brief and no man should hold the same office twice (except for the military positions*".

We have observed that in Africa, where most leaders have betrayed their people's hopes, most opposition politicians and several academics blame the problems on leaders overstaying in power (and they are not completely wrong, as, indeed, some leaders have had long spells in office and with negative results, going by all the indicators of progress). This is not, however, to mean that staying in power for long is necessarily a negative factor. The problems occur when those who remain in power fail to implement a successful agenda for development. (Twineyo-Kamugisha 2012:52). We have leaders in both Asia and Africa who have stayed long in power. Some in Asia have had big achievements. Most of those in Africa have left their countries in poverty and misery. But some have recorded economic growth and reduced the spread of and death by malaria, HIV/Aids in their countries.

So the question is: "Is a leader staying too long in power necessarily bad?"
Some emerging view[108] *is that staying longer in power in a developing country such as in Asia or Africa is not necessarily bad.* We need to examine this question critically. We need also to look at individuals themselves who have stayed long in power and critique their performance in terms of reducing poverty and enhancing economic growth.

Mendoza et al., (2013:2) argue that the political extended time horizons maybe necessary for socio-economic reforms and enable adequate planning and implementation of policies with long-term goals. Politicians with short and/or tenuous tenures tend to shun the difficult but necessary reforms that pay-off in the future and yield to populist demands in order to improve their chances of re-election. The extended time horizons afford them the longer reform runways necessary to pursue policies and programs that are critical to sustained, robust, and inclusive economic growth. It is also possible that the behaviour of such politicians is driven by legacy-related goals that are linked with the overall outcomes in their respective

[108] See Mendoza et al., (2013, p.2) and Twineyo-Kamugisha (2012)

jurisdictions. Thus, the longer their tenure is, the more they tend to care about long term outcomes.

Such leaders in Asia who stayed long but led their countries to prosperity have been acknowledged – even in the west. Huntington suggests that Lee Kwan Yew, who led Singapore for decades, gave that country political leadership and was determined to create a non-corrupt society, which in large part he did[109]. But even when no longer in office, the majority of their people (and even renowned Western political science scholars such as Huntington) still hold such leaders in high esteem, a clear indication of their leadership skills and ability to advance society[110].

There is an emerging issue why some leaders stay long in power: fear for their lives out of power. This takes different forms. One could be that you fear how to live almost like the rest of society. The writer was told by one formerly senior person about how living the life of salutes to the one 'budgeting' made him want to go back to government. But this means that probably such a person never stole while in office. Second is the fear that once you live office, there could be those that you unfairly treated because you had power. This is the issue of retribution and attribution.

Others in the traditional setting will want to attach directly: some have in the past burnt such a leader's houses; and or killed their livestock. The other is the modern approach: go to court and sue the former ruler(s). In Africa, heads of state cannot be tried in any court. People wait when they out of office. This calls for the assurances that once I am out of office I will be protected – mainly from prosecution. This calls on the leaders to rule according to the laws of the land. Those laws should have been genuinely passed by the legislature. We mention that soccer referee at times makes a few mistakes but they are protected by the rules of the game.

There is another reason suggested as early as 1972 by James David Barber; that is our emotional attachment to presidents' shows up when one dies in office[111]. In 1985, James David Barber asserts that history shows that whenever a president dies in office, whether heroic or debased the same wave of deep emotion sweeps across the country[112]. On the

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[109]Huntington, 1999, cited Twineyo-Kamugisha (2012:42).Why Africa Fails. Cape Town: Tafelberg.

[110] Twineyo-Kamugisha (2012:42). Why Africa Fails. Cape Town: Tafelberg.

[111]Source: James David Barber, *"The Presidential Character",* The Presidential Character, 3rd Edition. Prentice-Hall, Inc. 1985: (at http://acad.fcps.org/ss/puch/apps/readings/barber.pdf

[112]Source: James David Barber, *"The Presidential Character".* The Presidential Character, 3rd Edition. Prentice-Hall, Inc. 1985: (at http://acad.fcps.org/ss/puch/apps/readings/barber.pdf

other hand, except for Nelson Mandela whose death became one of the most powerful modern send-offs of this generation, the death of an ex-president brings forth no such intense emotional reaction[113]. Yes. A big should be sent like a big man but once out of office, some have been buried in unmarked graves with no gun salute having been denied a return visa to be buried at home. Some have been buried home thanks to the good relations their family had with the current rulers. This is bound to make rulers want to stay on until they pass on.

We need to state the fear of most people why about the leaders staying longer in power: i) if a leader stays long without establishing institutions, it will affect growth and development; ii) staying long without growth affects the country in both the short and long–run with negative consequences of poverty, diseases and conflicts; and iii) after the exit of such a leader, the country almost starts from a situation like before the exiting leader took power.

British academic, Tim Kelsall[114], has studied the leadership question and growth in Africa[115] and argues that important factors include the strength or quality of organization of ruling parties, and incentives that help keep leaders in power for long. Kelsall, et al., (2010:6) gives the example of Indonesia under Suharto. For example, Suharto took the view that regime survival and his own personal fortune depended upon long-term economic growth, so that when corrupt rents were extracted from the system, it was with a view to the long term[116]. A research programme at the University of Leiden (in the Netherlands), "Tracking Development", has too shown that incentives matter. Leaders with the incentive to deliver, such as their ability to hold on to power depending on it, do actually deliver. This in part also explains the story of East Asia.

The success of countries mostly depends on leadership

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[113]Source: James David Barber, *"The Presidential Character",* The Presidential Character, 3rd Edition. Prentice-Hall, Inc. 1985: (at http://acad.fcps.org/ss/puch/apps/readings/barber.pdf

[114] See Tim Kelsall (2013). Business, Politics and the State in Africa: *Challenging the Orthodoxies on growth and transformation*. London: Zed Publishers

[115] See Kelsall (2013), "Africa and the succession trap" available at http://africanarguments.org/2013/01/07/africa-and-the-succession-trap-by-tim-kelsall/ (accessed on 01/11/2014); and Kelsall, T., and Booth, D., with Cammack, D., and Golooba-Mutebi, F., (2010), "Developmental patrimonialism? Questioning the orthodoxy on political governance and economic progress in Africa", Institute of Development Studies at the University of Sussex, Africa Power and Politics Programme Working Paper No. 9 July, 2010

[116] Kelsall, T., and Booth, D., with Cammack, D., and Golooba-Mutebi, F., (2010:6), "Developmental patrimonialism? Questioning the orthodoxy on political governance and economic progress in Africa", Institute of Development Studies at the University of Sussex, Africa Power and Politics Programme Working Paper No. 9 July, 2010

In most African countries, the 'big man'[117] still calls all the shorts dictating who gets what in society. In most cases, the success of such a society economic-wise will depend on how such a politician views the benefits of economic growth for his/her political success and self-enrichment. It has been observed that in most, it is these leaders themselves first and foremost.

In illiberal democracies, it is the powerful leader rather than the strong institutions that we see. Rather than serving as a representative of the people (an agent representing the principal), the leader (president or prime minister) plays the part of the personal ruler, taking care of the people's needs directly whom they hand–pick and claiming their respect. This means that having elected a 'saviour', the voters are only expected to cheer from sidelines or the stands – and entering the political field at their own risk.

These leaders use three groups to stay and enjoy their power: striking deals and obtaining patronage of a network of power-brokers; the military; and control of the media. Such rulers operate recognizing the need to strike deals with other power-holders in business, the church and the regions. They rely on the control of three key resources: the military, patronage, and the media. These rulers maintain a strong military and security presence, and to sustain their position, they need to be perceived as willing to use the military. Given the past and levels of illiteracy in these African countries, the military presence always reminds them of where they came from. In these societies usually the past is paraded with torture, brutality, tyranny and murder. Therefore use of the military[118] is an effective tool to keep in power in these societies.

Strong men also maintain their hold onto power and position through both the unofficial and official patronage networks in which other power-holders are incorporated. They are incorporated by providing them with resources such as control over jobs (which are scarce in these countries) and access to money – making opportunities which they can then distribute – in turn to their group and own supporters. In this way in these countries, unfortunately allegiance to one's immediate patron and through the patron indirectly to the regime becomes

[117] We will use 'big man' as a term to refer to what we see as leaders who suffocate the institutions. Most literature uses such terms as strong men and despots. In its original meaning, despot means any barbaric and arbitrary ruler who treats his subjects as little more than slaves. Some feudal kings and queens – if not most- treated their subjects as slaves. They would even spit in the mouth of some. So we can't use this term to apply to current rulers in African even-though we may identify some who are excessively close.
[118] In Uganda for example, the competitive candidates have been those who are associated with the military and having fought. Even quietly, the opposition is always looking for someone with military credentials to tussle it out with the incumbent president, a retired army General, Museveni.

the key to a successful career. These client-patron relationship pyramids extend through society and as long as the clients are politically sound, their patrons will ignore their shady behaviour (such as corruption). This should help to explain why less democratic (and authoritarian) regimes are corrupt and highly nepotistic in Africa. With this arrangement, the institutions in these societies tend to be weak but the pragmatic alliances tend to be strong, hence providing the regime the glue. This allocation of resources such as jobs, contracts and investment through private patronage leads to substantial misallocation of capital, a weak banking sector, reduced FDI (King 2007). As long as these rulers continue to control key economic commodities such as oil, they can carry on purchasing political loyalty.

The media and the regime survival: The media can influence either a positive or negative image of a leader among different publics. To obtain a positive view from the media, the leaders have sometimes owned the media, or censored it by law. It can be noted that even in China, as the Chinese Communist Party introduced reforms to market mechanisms to many parts of the economy including privatization of state owned enterprises, they did not privatize the mass media[119].The Chinese leaders have more than the control of the mass media to rely on and manage the political relationships and they have the constitution. The Chinese constitution is clear on democracy and dictatorship. Article 1 of the Chinese constitution, 1982 states[120]:i) Article 1: The People's Republic of China is a socialist state under the people's democratic dictatorship led by the working class and based on the alliance of workers and peasants.

ii) The socialist system is the basic system of the People's Republic of China. Disruption of the socialist system by any organization or individual is prohibited.

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[119] See too Esary, A., (2007). Speak No Evil: Mass Media Control in Contemporary China. New York: Freedom House

[120] Source: The National People's Congress of the People's Republic of China http://www.npc.gov.cn/englishnpc/Constitution/2007-11/15/content_1372963.htm (accessed on 12/24/2013); and Tschentscher (2004), China Constitution, International Constitutional Law Project, http://www.servat.unibe.ch/icl/ch00000_.html (accessed on 12/24/2013)

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Military involvement in political decision making
Is military involvement in legislature (as Members of Parliament) and competitive politics recommended?

African armies and leadership in Africa
In developed countries the army belongs and serves the country. It is truly a national army. It does not serve a party, or an individual. These armies have also been built and professionalized for long. This is not the case in most of Africa. Most African countries armies are usually not professional, not patriotic, are interested in politics, and not independent as a force. They are variously viewed as pursuing agendas of some personalities usually the leaders that created these armies. Sub-Saharan African armies have been trained in the Cuba, USA, the UK, Israel, and Libya under Gaddaffi and Egypt under Hosni Mubarak among others. A few have been trained in China. So these armies have mixed ideologies of capitalism, socialism, among others. These armies have no ideology of their own. They tend to mix capitalism, socialism, and even the 'green revolution' of Gaddaffi.

Worse and we say worse still, these armies are not independent and professional armies. This is why. Once you are enrolled and a military, in economics we do not count you in those looking for jobs[121] elsewhere. A soldier is never referred to as employed or unemployed with regard to labour force. You are also not supposed to be involved in civilian politics. You are

[121] Labour force considers those persons in the employment age, excluding the military forces. The military have a job for life unless when one has been expelled, retired or resigned.

not supposed to stand for an elective office. You are not supposed to be a legislator or a Member of Parliament until you have retired or resigned. You have a job.

Most armies in Africa are newly established and not independent of their founders. Every leader who comes to power comes with his own army – or uses the army of his father who was the former leader to keep in power. The army is tempted to serve the leader who established them. Whenever a leader comes to power, he destroys (let us say largely kills) the previous army in order to create his/her own. This has happened in DRC (formerly) Zaire. When Laurent Kabila took power in 1997 from the then dictator and 'live large' Mobutu, he created his own. When Laurent Kabila was assassinated[122], his son Joseph Kabila who became the new leader inherited the father's force. He has been using it to fight possible secessionist rebels in the East of DRC near Rwanda and Uganda. It can be argued that had another leader tried to replace his father, such a person would have been rejected by the army. The army was stronger and belonged to Kabila first, and later to DRC[123]. Kabila junior's stay in Kinshasa is thanks to the support of his father's army.

In 1994, the Rwanda Patriotic Front and Army (RPF/A) overthrew Rwanda's (Habyarimana's) largely Hutu army and installed their RPA (largely Tutsi) – formerly a rebel army. Habyarimana[124] had ruled from 1973 to 1994 (21 years) and his government is held responsible for the suffering and exile of the minority Tutsi Rwandese to mainly Uganda within the region. There are ethnic connotations in military establishments in African contexts. So the army in Rwanda is as old as the political leadership of RPF. They can be rightly called RPF/A[125] army first before they are called Rwanda army. This changes overtime – and at times over a long time.

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[122] The true killers have never been publicly announced but fingers have kept pointing at its neighbours of Uganda and Rwanda. That he reneged on the agreements they had with him before winning the war. Zaire now DRC harboured the Interahamwe rebels who are loyal to former late president Juvenile Habyarimana. It also harbours the Allied Democratic Front (ADF), an Islamic oriented rebel group against Uganda. Could these have caused his death? I have not documented proof and will let them stay as allegations.

[123] It is Luarent Kabila who renamed Zaire as Democratique Republique du Congo (DRC) after overthrowing Mobuto.

[124]Juvenal Habyarimana died in plane crash as descended the national airport of Rwanda. The cause of the crash has been debated with no full evidence. He died with the President Cyprien Ntaryamira of Burundi. Both these presidents were Hutu.

[125] Some original rebel senior RPF/A officers are in exile to fight Kagame's regime. They will take time and probably luck before they can overthrow their former army. It is allged that these former RPF senior officers - turned foes of the regime (e.g. Kayumba Nyamwasa, and Karegyeya and others) are operating in DRC – cooperating with Interahamwe – to remove Kagame's government. As we write this book, Karegyeya was killed in South Africa 'by strangling' in a first class hotel in South Africa and Kigali government was suspected

In Libya, Gaddaffi created and strengthened an army loyal to him until he was removed and assassinated by the 'tribes' in other regions of Libya overwhelmingly supported by the armies of NATO mainly France, UK and USA. He had established and supported an army that made him stay in power for all the 42 years. The army was one of his key constituencies. He had oil so he had the money to build and equip the army. Before the Arab Spring, in Africa, Egypt, Libya and South Africa had some of the strongest armies. It is only in Egypt and slightly South Africa where the army is a force of the nation. In most of these African countries, the army is kind of 'personal' army serving a person not the nation.

Libya's army was first decimated before Gaddaffi could be arrested and assassinated. So the new government has got largely a new force; with a few officers that defected to the rebel group. There are always noises in the corridors of power in Libya that those who served[126] under Gaddaffi should go.

In Burundi, the current government has got an army mainly composed of its former rebel ranks and those few who were incorporated from other groups that accepted unity.

The story of Uganda's military history is long and we will concentrate on the period 1972 – 2013 (as we write). Amin overthrew Obote the second president of Uganda on 25 January 1971; while he was attending a CHOGM meeting in Singapore[127]. Amin purged the existing army and by the time he was overthrown in 1979 by the Ugandan exiles supported by Nyerere and the Tanzania army (TPDF), he had create an army loyal to him. The army feared and respected him in equal measure. Any dissent was 'quickly and completely'[128] solved. During Amin's regime, dissenters and opponents were shot by firing squad.

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to have done the dirty job. The official government spokesperson and Minister of Foreign Affairs Rwanda, Louise Mushikiwabo said Karegeya was a "self-declared" enemy of their African nation. Referring to Karegeya's death, she tweeted: "You expect pity?" (Source: http://abcnews.go.com/International/wireStory/rwanda-government-sympathy-dead-spy-chief-21435874 (accessed on 1/11/14))

[126]This 'noise' is not only in the security forces. It is also in other government offices; with recent besieging (end of April 2013) of the judiciary building by the armed forces requesting that those who served under Gaddaffi leave office.

[127] CHOGM – Common wealth heads of state and government meeting. There has been an allegation that Britain played a key role in the removal of Obote. Indeed then Prime Minister Heath allegedly remarked that 'some of you will not be able to return to your countries'. This was in reference to Obote who had come to attend the meeting at the behest of President Julius Nyerere of Tanzania to add support to the opposition of Britain's planned sale of arms to Apartheid South Africa.

[128] Amin liked those two words – 'quickly' and 'completely'.

Amin's army was totally disintegrated and wiped out in 1979 (with very few persons going to exile before they were called back and almost all demilitarized). A few officers remained to serve in future armies of the country. After the exit of Amin into exile, the Uganda people's Army (UPA) was Uganda's new army. This is the army which was largely headed by army officers from the north (mainly the Acholi and Langi). With the rebel group of National Resistance Movement (NRA) continued pressure on the army, and emerging rifts between the cousin ethnic communities of Acholi and Langi, Obote was overthrown and the army led by Basilio Okello Olara took over. They were very unlucky because they ruled for a very short time. Their mistakes? They invited the NRA to agree on power sharing deal. The NRA refused. Having reached nearer the capital, they seized power in 1985 and their rebel army became the national army. Since that year, the NRA which changed name to Uganda Peoples Defense Forces (UPDF) has been the army of Uganda. So all the previous armies, (unlike the Uganda Police) have disappeared. NRA/UPDF is the army that was created by the rebel leader and current president of Uganda, Yoweri Museveni. He has continued to strengthen this army which, by and large, is viewed by analysts, academics, opposition, civil society and international community as his force[129]. This army has mainly been headed by senior officers predominantly from the west (is changing) because they are the original rebels[130] that went to the bush to fight Obote II government[131].But this issue of the army taking a character should be addressed eventually so that national armies can become national armies[132].

Is military involvement in legislature recommended?

In Uganda, the army is in parliament as legislators. This is unique. According to the state, there is justification for this: they need to be in parliament to remind (and reassure) legislators and the whole country of where they came from. This army being legislators has been opposed locally and internationally. But who cares? Uganda is a sovereign state. It cannot be forced on the type of political systems that are not 'homegrown'.

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[129] The issue of senior army – and indeed rising stars – coming from the west has been debated several times in Uganda Parliament. The same explanation that we give of history is what has been given (see http://www.parliament.go.ug/new/index.php/documents-and-reports/daily-hansard)

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[131]For the military in Uganda, please read Kjær, A.M., and Katusiimeh, M., (2012), "*Growing but not transforming: Fragmented ruling coalitions and economic developments in Uganda*", DIIS Working Paper 2012:07

[132] In the case of Uganda, as the historical retire from the army and government, this should allow for the formation of an army with a national character.

The current president of Uganda; Museveni, thinks that the military's involvement in the political decision making (in the parliament as legislators) is good. He points to the fact that previous governments in his country failed because they had left the army out of the political decision making arena. In his time, the army like other stakeholders with affirmative action[133] has got seats in parliament. Like the other groups who enter parliament on 'positive discrimination', the army elects its own representatives to parliament.

President Museveni is a former rebel and a soldier. He has been in military activities longer than he has been in government (He said it himself).

Analysts usually discuss the trade-off between the role of the military of fending off war and defending the nations, and that of involving in politics and political decisions making. They find that Generals should continue to make military decisions and avoid political engagement. Nunn (1976:186)[134] has observed that nothing is worse for military professional development than political involvement. Huntington (1957:71 -72)[135] has similar views and has observed that the military gets specialized competence acquired by professional (military) training and experience which is necessary for decision and action, and asserts that such competence is negatively affected by political involvement. The analysis by Leon (2009:2)[136] supports the view that the military should remain in the barracks making military decisions[137] and defending the nation.

Strength of the army: This is a big debate. There are analysts and practitioners who think a stronger army is important to a country especially facing imminent threat from neighbours. Others suggest the contrary. Therefore we think the army is important for economic transformation as it provides security and defense to important sources of exports and safe transport routes. Let us take the example of the need for a strong force in Uganda, a landlocked country with volatile South Sudan and DRC as neighbours. This country's conditions are probably unique to other countries – developed or developing. May be Uganda currently, like Chile Allende, finds it necessary to have a strong military. During Allende, Chile

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[133] In Uganda's parliament, women, youth, the disabled and the army have got seat through affirmative action – referred to as positive discrimination.
[134] Nunn, M, F, (1976): The Military in the Chilean History: University of New Mexico Press.
[135] Huntington, S, P., (1957). The Soldier and the State; Harvard University Press
[136]Leon, G, J.,(2009),"Soldiers or Bureaucrats? Conflict and the Military's Role in Policy- Making", London School of Economics and STICERD
[137] He finds out that that war decreases the payoff to the military from the military directly running the government and from military indirectly influencing policy without governing directly, but also makes staging successful coups easier.

had a strong military because of the military threat posed by Bolivia and Peru (Nunn, 1976). Uganda fears military threats from Ugandan rebels in DRC and Sudan. The politics of the great lakes region have been such that DRC has unending internal conflicts; at times blamed on the neighbours. Since the 1990s to 2013 (and this may continue given its wealth), DRC has continuously blamed its neighbours, Rwanda and Uganda – for rebel presences and instability. The border communities of Rwanda and Uganda have relatives or even migrated from across the border. This is bound to cause hitches and glitches.

The other reason that causes DRC's neighbours growing interest in its internal affairs is out of the fear that because this is a big country without a strong central government. This lack of strong central government has led to DRC being a haven for rebels wanting to oust governments in Rwanda and Uganda. The deposed Interahamwe army of Rwanda is in DRC. The ADF rebels of Uganda are in DRC. Of course DRC has a lot of wealth and mostly is its cause for a lot of attention. Attention from mining firms and their governments.

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"Heirs to the thrones" – families as political dynasties and leadership in Africa

Political dynasties[138]are present all around the world, even in democratic countries. Political dynasties are families who have exerted disproportionate influence on the politics of their societies. If they are very successful they may produce more than one Head of State or Head of Government. But at the very minimum political dynasties have produced political leaders in varied ranks of the political process[139]. According to Dal Bo, et al., (2009), political dynasties have long been present in democracies, raising concerns that inequality in the distribution of

[138] Dynastic politicians can simply be defined as those whose family members have also served in the same and related political position in the past.
[139] Mazrui, A., (2009), "Half A Century of The Post-Colonial Judiciary and State-Formation: The African Experience", Binghamton University

political power. They found that political power is self-perpetuating – and legislators who hold power for longer become more likely to have relatives entering Congress in the future. They too state that power beget power. Thus, in politics, power begets power.

In DRC the current leader, Major General Joseph Kabila is the son of the assassinated President Laurent Kabila. The long–term president of Togo; Gnassingbe Eyadema was succeeded by his son Faure Gnassingbe.

In Kenya Uhuru Kenyatta, he is a son of Mzee Jomo Kenyatta 2013. In 2002, Uhuru started his bid for the presidency that bid failed. He tried in 2013 and went through elections and defeated another from the political dynasty: Raila Odinga, the former Prime minister during the Kibaki regime. Raila is the son of former vice president Oginga Odinga. Raila had joined government under a power sharing arrangement after the election crisis of 2007 in Kenya. While in Kenya the dynastic politician (Uhuru) went through elections, the ones of DRC and Togo went through succession by military means.

Is this a phenomenon of the Africans?

Let us go to Asia and start with South Korea. The current president (and the first woman president to hold that office, serving the 18th presidential term) of South Korea, Park Geun–hye, is the daughter of former president General Park Chung-he. She was elected. In Sri Lanka (formerly Ceylon), a male leader is assassinated and the female relative rose to become Prime Minister. That was Mrs. Bandaranaike. Prime Minister, Zulfikar Ali Bhutto of Pakistan was executed but overtime his daughter Benazir Bhutto became Prime Minister of Pakistan twice. Unfortunately she was also assassinated during the regime of Parvez Musharraf.

Example of the Philippines will suffice. The Philippines constitution prohibits political dynasties. Following the return to democracy after a 15-year long dictatorship by Ferdinand Marcos, the1987 Philippine Constitution introduced various changes aimed at decreasing the power of political dynasties. For example, Article II, Section 26 of the Constitution included a clause stating: The State shall guarantee equal access to opportunities for public service and prohibit political dynasties as may be defined by law[140].In the Philippines, according to Mendoza (2012)with the 2010 elections, 70 percent of the 15th Philippines Congress is dynastic; and dynasties dominate all of the major political parties; on average, there are more

[140]However, after 23 years, a dynasty-controlled congress has failed to pass legislation providing a definition of political dynasty making this constitutional ban vacuous. (See Pablo Querubin (2011), "Political Reform and Elite Persistence: Term Limits and Political Dynasties in the Philippines". Harvard Academy for International and Area Studies)

dynasties in regions with higher poverty and lower human development; and dynasties tend to be richer when one outlier is removed among present non-dynasties (MP) and 80 percent of the youngest Congressmen (age 26-40) are from dynastic clans[141]. From the Philippines (Mendoza et al., 2009:1) results show that representatives from political dynasties account for 70 percent of the jurisdiction-based legislators in Congress. On average, they possess higher net worth and win in elections by larger margins of victory compared to non-dynastic representatives.

In Chile, the two lady presidential contestants were not strangers to the high offices in that land. They are members of the political dynasties in that land. Matthei Fornet is the daughter of Fornet, a military general, and a minister of health during Augusto Pinochet's government. He later became commander –in-chief of Air Force, and was a member of the Military junta until Chile's return to democracy. Matthei already served as minister of labour and social security under President Sebastian Pinera until July 2013.

Michelle Bachelet is the daughter of air force military general who served as the in-charge of the Food Distribution Office under the government of Salvador Allende. He was arrested and charged with treason and tortured and died of cardiac arrest in detention under General Augusto Pinochet. Pinochet had come to power through the 11 September 1973 coup d'etat. Michelle Bachalet served as the minister of health and defense under her predecessor president Ricardo Lagos. She was president from 2006-2010.

There are other dynastic politicians in the other countries. There are the Venizelos and the Mitsotakis families in Greece, the Kirchners and the Rodríguez Saás in Argentina, the Allendes in Chile, the López family in Colombia, the Arosamenas in Ecuador, the Batlles in Uruguay, the Nehru-Gandhi family in India, the Bhutto's in Pakistan, and the Bongo Odimba family in Gabon[142]. Dynasties exit in varying degrees regardless of level of democracy[143].

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[141]Mendoza, R, U., Beja, E., Venida, V., and Yap, D.,(2012) "Inequality in democracy: Insights from an empirical analysis of political dynasties in the 15th Philippine Congress". *Philippine Political Science Journal* 33(2):132-145.

[142]Rossi, Martín A. (2009:3), "The Causes of Political Dynasties in Democratic Countries", Universidad de San Andrés

[143] Numerous politicians have since taken over the reins of power from their fathers, husbands, or brothers. A brief list includes: President Cristina Fernandez (wife of former President Nestor Kirchner) in Argentina, Prime Minister Yingluck Shinawatra (sister of former Prime Minister Thaksin Shinawatra) in Thailand, former President (now Congresswoman) Gloria Macapagal Arroyo (daughter of former President Diosdado Macapagal) in the Philippines, former President George W. Bush (son of former President George H. W. Bush) in the United States, Prime Minister Lee Hsien Loong (son of former Prime Minister Lee Kwan Yew)

Let us go to the developed world. Lady Nancy Bush once remarked that she was seated between two presidents, i.e. her hubby and her son. Both were presidents. The US constitution prohibits on American political royalty. However, dynasties still rule in the US.

Let us look at them. These dynasties have been in influential offices in the land. The Bush family had Bush Senior and Bush Junior as presidents. Jeb Bush is alleged to have rigged for his brother in Florida where he was Governor. He is likely to stand and should he win, he will be another of the Bush family in the White House. The Kennedy family has dominated politics for decades. Prominent among them are Robert, Edward, and John F. Kennedy. JF Kennedy was the president who was assassinated in office in 1963. Hillary and Bill Clinton have been president and state secretary.

In 2008, Obama defeated Clinton and later John McCain to become president. He was not from the dynasts. In the past six presidential elections in the US, before 2008, four of the presidential aspirants were children of prominent politicians in the land. These were Mitt Romney, George W. Bush, and Al Gore.

What do the findings on the names associated with the 'heirs to the throne' show?

Could be also that the longer term in office for a politician induces other family members to enter politics and a vocation? There is not yet empirical evidence on this. We can say that oftentimes children have ended up in the vocations of their parents. These candidates start young, dragged to the county fairs and Fourth of July parades from their earliest years (Miller 2013:25).

The advantage of name recognition may be surpassed only by the political networks of high-powered supporters that come with it. There is also the advantage of experience. Studies conducted in Argentina, where representatives in Argentina are elected through a closed party list at the provincial level, and not through a uninominal race at the level of a smaller legislative district, as in the US, find that a longer tenure allows a legislator to accumulate an

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in Singapore, Prime Minister Najib Razak (son for former Prime Minister Abdul Razak) in Malaysia. Additional examples include: India's Jawaharlal Nehru, daughter Indira Gandhi, her son Rajiv and daughter-in-law Sonia; Sri Lanka's Solomon and wife Sirimavo Bandaranaike and daughter Chandrika Kumaratunga; Bangladesh's Mujibur Rahman and daughter Sheikh Hasina, as well as Ziaur Rahman and wife Khaleda Zia; Pakistan's Zulfikar Bhutto, daughter Benazir and her husband Asif Ali Zardari (see Mendoza, U.R., Edsel, L.B., Venida, S. V., and David Barua Yap II, D. B., (2011), "An Empirical Analysis of Political Dynasties in the 15th Philippine Congress", Asian Institute of Management, Working Paper 12 — 001) asset in terms of name recognition. Rossi (2009:3) finds evidence that the particular channel behind self-perpetuation is family name recognition[144].

Dynastic politicians often enjoy two issues - *campaign advantage* and *brand-name advantage*, as noted in Laband and Lentz (1985)[145]. In United States, for example, Feinstein (2010) shows that for all open seat House contest between 1994 and 2006, dynastic politicians entertain significant "brand name advantage". Moreover, this advantage provides them a considerable edge over comparable non-dynastic opponents[146]. Even in Japan, in a study covering 1997-2007, it was found that as compared with non-dynastic legislators, dynastic legislators enjoy higher electoral success (Asako et.al, 2012).

In the US, political scientists found that a legislator who has served for more than one term is 70 percent more likely to have another relative enter Congress than other Americans[147]. According to Dal Bo, E., et al (2009, p.115), legislators who hold power for longer become more likely to have relatives entering Congress in the future. In the US, roughly one in ten lawmakers in Congress have had a family member serve in either the House or Senate, and many more come from state and local political clans[148].

Dal Bo, E., et al., (2009) after examining political dynasties since 1700s, found out that there is a causal relationship between longevity of service and the creation of political dynasties.

The children coming from political dynasties have wealth, and there is a close relationship between wealth and politics. The super-rich Rockefellers were in the top three of America's political dynasties with a vice president, three governors, two senators, and two representatives (Hess 1997). Those who campaign for elective offices incur financial costs for running ground operations including opening campaign offices in the constituency, ads

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[144]Rossi, Martín A. (2009), "The Causes of Political Dynasties in Democratic Countries", Universidad de San Andrés

[145] Laband and Lentz (1985) cited in Rahman, R., (2013). "Essays on Political Dynasties: Evidence from Empirical Investigations", A PhD thesis, Department of Government of the London School of Economics and Political Science

[146] See Rahman, R., (2013:16), also see Feinstein, Brian D. 2010. "The Dynasty Advantage: Family Ties in Congressional Elections" *Legislative Studies Quarterly* XXXV(4), pp. 571-598

[147]Source: America's Political Dynasties - TIMEhttp://content.time.com/time/magazine/article/0,9171,2148168,00.html#ixzz2koJF9iWC (accessed on 11/16/13)

[148]Source: America's Political Dynasties - TIMEhttp://content.time.com/time/magazine/article/0,9171,2148168,00.html#ixzz2koJF9iWC (accessed on 11/16/13)

campaigns, and fuel and food on the campaign trail. In the Philippines elections of 2010, Party-list system (15th Congress): 52 (or 91percent) of the 56 seats held by millionaires and multi-millionaires; 10 nominees come from political clans[149].

The mere existence of political dynasties, however, does not necessarily reflect imperfections in democratic representation. Research continues without success to find out if political dynasties arise because some families have certain characteristics that make them more prone to political success. However, such families seem to always campaign on this claimed strength. We may associate interest in politics by children from political dynasties by saying that that is the job they have known from their parents or relatives. Also, it may be that other people think that politics is for those from the dynasties: and they ignore politics and concentrate on other things and professions. What is true is that in Africa where politics are of 'blood and iron', most possible candidates fear for their lives and live politics to the 'mafias'.

There is a negative aspect regarding political dynasties. According to Mendoza et al., (2013:2), political dynasties can be effective in preventing the people from communicating their real needs to the government. They can weaken existing governance and accountability mechanisms to secure their positions. More specifically, dynastic officials can take advantage of state power for self-serving interests without fear of replacement or administrative sanctions; or, use state power to influence the selection of political leaders, thereby favoring those with political clout, preventing the best and the brightest from serving in the government, and/or biasing policies in favour of certain elite groups.

In the African countries, the key issue is that we should be careful not to de-enfranchise the citizens because their parents once occupied the high office in their land. All citizens should be allowed a right to vote and be voted for and so it doesn't matter who stand for political office (political dynasty or not). Any eligible citizens can apply or aspire for any office in the land. This is not a problem. We find that the problems according to other citizens and academics are where the child of a former leader is given unfair advantage to enter the state house. This unfair advantage is viewed to be undemocratic; and may cause both social and political unrest.

We should note that most African countries are still in a state of forming democratically established institutions of democracy in place to supervise 'free and fair' elections especially where one of the candidates is a child or wife of a former president. It may be necessary that

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[149] Tuazon, M. B (2012), "Six Centuries of Political Dynasties: Why the Philippines will forever be ruled by Political Clans?" Center for People Empowerment in Governance.

the election commission is non-partisan and not appointed by the current president, whose close relative (son, wife, brother or sister, etc) is standing for the state house. As human beings, the degree of partiality may be compromised. This is important. Let the electoral commission be agreed upon by all the parties. This is vital for peace and security and for giving elections credibility.

What is the contribution of the Africans themselves (wherever they are they are) to their countries' growth problem?

Africans who live in their countries on the continent

Let us first look at the elites on the continent. There are now around 1.1 billion people on the continent. Among them are the elites. According to the Oxford Dictionary, this is "A group or class of people seen as having the most power and influence in a society, especially on account of their wealth or privilege"[150]. The elites in Africa tend to be in the middle and upper class with good education, living in urban centres, and knowledgeable about the economic and political conditions in their countries.

In most revolutions, in history, it is the elites who have showed the peasantry and others the right choices.

The role of intellectuals as part of the middle class is important in changing society for the good. They have been variously viewed as change agents and 'torch-bearers'. Innovation, creativity and invention are important. This group should lead in changing society positively. It has been argued that it seems that growth created middle class which middle class was crucial to the democratization process in East Asia (and even Europe). I argue that it is the same process that happened in Europe. The argument is that growth creates middle classes, that middle classes are crucial to the democratization process, as they are unwilling to tolerate poor governance and, as a consequence, become rather vocal in asserting their rights.

Researchers based in Africa with real ground understanding of the problems should 'diagnose the disease and prescribe' the remedies. African intellectuals have a big role to play in the success of the continent they call their home or homeland. There are ways we can look at their role: One: become the brain workers of their countries. Suggest appropriate models for African countries. Be the 'think-tankers' of the movement for economic transformation. Two:

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[150] Source: http://www.oxforddictionaries.com/definition/english/elite (accessed on 01/11/2014)

oppose vehemently bad leadership - write against the bad leadership. Three: gloom youths as future leaders.

Overall there is need to build trust in partnerships – business and social in Africa and outside of the continent. The trust that the African diaspora and others abroad have in those in the continent will result in more remittances, and foreign investments. Some of the investments, not all will be from the diaspora.

Africans in the diaspora

Are the African diaspora or overseas Africans playing a big role in promoting growth in their homeland countries?

There is evidence that the Jews, China, and to some extent the Eritrean and Rwandan diaspora have been keen and support efforts of promoting growth in the homeland countries.

The main vehicle used by diaspora to play a role in their countries has been via remittances. According to the World Bank, in 2013, remittances sent globally were estimated at US $ 542 billion, rising to US$ 681 billion in 2016 – with the developing world receiving US$ 404 billion[151]. Estimated remittances to developing countries are expected to rise to US$ 516 in 2016[152]. The World Bank shows that of the US$ 404 billion, India and China will take US$ 131 billion. It further indicates that the top recipients of the officially recorded remittance during this year are India at US$ 71 billion, China at US$ 60 billion, the Philippines at US$ 26 billion, Mexico at US$ 22 billion, Nigeria at US$ 21 billion, and Egypt at US$ 20 billion[153]. This

[151] The World Bank (2014), "Remittances to developing countries to stay robust this year, despite increased deportations of migrant workers" (Available at http://www.worldbank.org/en/news/press-release/2014/04/11/remittances-developing-countries-deportations-migrant-workers-wb (accessed on 11/9/2014)

[152] The World Bank (2014), "Remittances to developing countries to stay robust this year, despite increased deportations of migrant workers" (Available at http://www.worldbank.org/en/news/press-release/2014/04/11/remittances-developing-countries-deportations-migrant-workers-wb (accessed on 11/9/2014)

[153] The World Bank (2013), "Migrants from developing countries to send home $414 billion in earnings in 2013" (Available at http://www.worldbank.org/en/news/feature/2013/10/02/Migrants-from-developing-countries-to-send-home-414-billion-in-earnings-in-2013 and The World Bank (2014), "Remittances to developing countries to stay robust this year, despite increased deportations of migrant workers" (Available at http://www.worldbank.org/en/news/press-release/2014/04/11/remittances-developing-countries-deportations-migrant-workers-wb (accessed on 11/9/2014)

list is followed by Pakistan ($15 billion), Bangladesh ($14 billion), Vietnam ($11 billion) and Ukraine ($10 billion)[154].

Since 1990s, remittances to African countries have been growing steadily (only affected by the global finance crisis of 2008-9). It has been observed that in the African case, the remittance have exceeded the ODA.

Remittances are a source of foreign exchange, consumption expenditure, and investment. Unfortunately, these remittances are more used for consumption expenditure[155] not serious investment. The remittances send to Uganda, for example, have been stolen – and some of the diaspora who come back and claim are sometimes killed (when they claim their money). According to the president of Uganda, Yoweri Museveni, diaspora send money to their relatives who steal it[156]. Take the case of Uganda. According to Tumusiime–Mutebile, the Governor, Bank of Uganda, average remittance to Uganda grew an estimated US$ 165 million in 1998 to US$ 910 in 2012[157]. The Governor further stated that average remittance per year between 2008 and 2012 amounted to US$ 800 million – exceeding official aid (ODA) which is at US$ 538 – equivalent to FDI in Uganda. Not only is remittances more than ODA in Uganda, it has been a more stable source of capital than private capital[158]. More than being

[154] The World Bank (2013), "Migrants from developing countries to send home $414 billion in earnings in 2013" (Available at http://www.worldbank.org/en/news/feature/2013/10/02/Migrants-from-developing-countries-to-send-home-414-billion-in-earnings-in-2013 and The World Bank (2014), "Remittances to developing countries to stay robust this year, despite increased deportations of migrant workers" (Available at http://www.worldbank.org/en/news/press-release/2014/04/11/remittances-developing-countries-deportations-migrant-workers-wb (accessed on 11/9/2014)

[155] Tumusiime-Mutebile, quoting Uganda Bureau of Statistics and Bank of Uganda, shows that the recipient households use remittances to support general household expenses and education. The states that 81 per cent of remittances was used on consumption, 16.9 per cent on non-consumption purposes and 2.3 per cent was transferred to other households). (Tumusiime-Mutebile, E., (2014), "How to convert $800 million sent home by Ugandans living abroad into FDI", The East African, Saturday, February 1 2014 (Source: http://www.theeastafrican.co.ke/OpEd/comment/How-to-convert--800m-sent-home-by-Ugandan-diaspora-into-FDI-/-/434750/2169004/-/oa5920z/-/index.html (accessed on 11/9/2014).

[156] While laying a foundation stone for Mega City, a large housing project in Waantoni, Uganda, the president Museveni advised that it will be convenient for the diaspora to buy a house that is already built rather than trying to build by themselves – where relative steal their money ("Meseveni tips Ugandans on economic partnerships", New Vision, Monday, March 2, 2015, p.5)

[157] Tumusiime-Mutebile, E., (2014), "How to convert $800 million sent home by Ugandans living abroad into FDI", The East African, Saturday, February 1 2014 (Source: http://www.theeastafrican.co.ke/OpEd/comment/How-to-convert--800m-sent-home-by-Ugandan-diaspora-into-FDI-/-/434750/2169004/-/oa5920z/-/index.html (accessed on 11/9/2014)

[158] Tumusiime-Mutebile, E., (2014), "How to convert $800 million sent home by Ugandans living abroad into FDI", The East African, Saturday, February 1 2014 (Source:

a stable source of capital, the Governor states that remittances have had a direct impact on poverty reduction because they flow directly to households[159].

What is the story of the contribution of remittances in other African countries?

Remittances to SSA have been rising and were estimated at US$ 32 billion in 2013; and these flows are estimated to rise to US $ 41 billion in 2016[160]. In SSA, Nigeria receives the largest amount of remittances, and received US$ 21 billion in 2013. Remittances to East Africa continues to grow, and was at 10 percent to Kenya and 15 percent to Uganda. But West African countries (e.g. Cote d'Ivoire and Senegal) realized only modest increases in 2013 after a slow down in 2012[161].

In most cases, diaspora contribution has been mainly of sending remittances to their homeland countries. But they can make other contributions. Beyond remittances they can also support their countries by promoting trade, FDI and via these FDI create and enhance entrepreneurship and transfer knowledge and skills. Those working in multinational companies may help to influence investment decisions of these countries to their homeland include actual establishment of manufacturing or outsourcing operations to firms in African countries. Their skills and expertise is vital for providing managerial and knowledge to firms and involve in research and development of laboratories in Africa.

Others work as experts on Africa and are always on TVs and other media discussing Africa; and are usually consulted by foreign governments on the future of Africa. These can help to promote the rising good image of Africa. There are still some pockets of conflicts in some parts of Africa but overall the image is better than it has ever been before.

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http://www.theeastafrican.co.ke/OpEd/comment/How-to-convert--800m-sent-home-by-Ugandan-diaspora-into-FDI-/-/434750/2169004/-/oa5920z/-/index.html (accessed on 11/9/2014)

[159] Tumusiime-Mutebile, E., (2014), "How to convert $800 million sent home by Ugandans living abroad into FDI", The East African, Saturday, February 1 2014 (Source: http://www.theeastafrican.co.ke/OpEd/comment/How-to-convert--800m-sent-home-by-Ugandan-diaspora-into-FDI-/-/434750/2169004/-/oa5920z/-/index.html (accessed on 11/9/2014)

[160] The World Bank (2014), "Remittances to developing countries to stay robust this year, despite increased deportations of migrant workers" (Available at http://www.worldbank.org/en/news/press-release/2014/04/11/remittances-developing-countries-deportations-migrant-workers-wb (accessed on 11/9/2014)

[161] The World Bank (2014), "Remittances to developing countries to stay robust this year, despite increased deportations of migrant workers" (Available at http://www.worldbank.org/en/news/press-release/2014/04/11/remittances-developing-countries-deportations-migrant-workers-wb (accessed on 11/9/2014)

Beyond money and investment, they can also engage in philanthropy, non-paid for public relations agents for their countries, and influencing the politics at home. Diaspora people have connections in the countries in which they live and earn a living. Some work for big global companies that have branches in most countries.

Why aren't the African diaspora investing a lot via FDI to their homeland?

To attract more diaspora remittances and FDI, you need good policies at home and a strategy to woo the diaspora towards their homeland. You need to engage in promotes aimed at attracting and retaining the diaspora's FDI in your country. You need institutions that are deliberately targeting them – and offering some incentives.

How come an 'African' is not 'African' wherever they are? Why are Africans abroad with means 'shying' away from the development of the continent? Why? How can someone shy away from declaring that his parents are from Africa? Some don't want to be linked to the continent. This is a big problem. There are reasons for this situation.

There are many more Africans in the diaspora. There is a big number of them in USA[162], in Brazil[163], in UK, in Jamaica, and yes here in Africa where this book is being written from. There are two types of the African decent people in the US and Europe. There are those who went there due to economic and political problems in Africa especially after independence. They were forced out of their continent by bad leadership, and dictatorship. They ended up there. They are angry at how their own leaders after independence behaved. They are angry that they were forced out some even leaving their properties to the looters. These have produced children Americans or Europeans now. These grand-children of Africa have tended to exhibit no particular interest in the continent. Their parents don't want their children to be associated with failed states in Africa.

The other group is of the grand-children of those who were pulled out of Africa by slave trade. These Africans in America and Europe and elsewhere have not even one African name.

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[162] USA has got more than 40 million African-Americans as part of the around 308 million – with 7.1 percent (almost 2 million out of 27.09 million firms) of black-owned firms in 2007. (See http://quickfacts.census.gov/qfd/states/00000.html (accessed on 12/30/13)).

[163] In Brazil, there are more people with the 'black' blood than the whites. When the population, classified under black and multiracial is combined, close to 60 percent are associated with Africa. Brazil population is around 190.8 million (2010) with 47 percent counted as white. (See http://en.wikipedia.org/wiki/Demographics_of_Brazil (accessed on 12/31/13)). Why combine black and multiracial? Because being the 2nd largest proportion of the population – and being known to love children – most 'Brown' people of Brazil are mostly half black. Other Brazilians include yellow (1.1 percent), Indians and other unspecified are less than 0.5 percent.

Most do not know any African-based kin or relative. These are the grand-children of those who survived the long voyage to sugar plantations and on farms in the Caribbean, Latin America, Europe and USA without any rights. This is the population, whose great-grandparents made it to wherever they are now - because most never it made out of the ships[164]. Some put strong resistance on the ships and overpowered their 'oppressors' but still all died in the middle of the seas. They had no knowledge of the new technology including stirring the ship. Some died of hunger and sea diseases. Documented stories are told how ships were found with everyone dead including the slave dealers.

Almost all these grandchildren don't know where their great grand-children came from in Africa[165]. They have names associated with place (e.g. Washington) or trees or just a name to identify them (e.g. gift). Sincerely Africa is a continent they don't seem to see as their own. Some are angry that their fellow Africans sold their dear grand-parents to slavery; where they have faced racism ever since. The anger is justified but there is need to understand the situations of the time. Some African chiefs were forced to hand over their people; others were seduced by cheap items to sale; others sold their neighbouring communities that they had captured in war. Sometimes slave dealers with the rifle (again new and better technology) overpowered the Africans defense. The chiefs' armies were using arrows and bows; and at times spears; even stones and sticks.

These grand-children of the continent need a lot of marketing from Africa to interest them in Africa. To tell them that they are descendants of the continent and that the continent of their descendants needs them. To convince them to invest back in Africa. They can help a lot with their skills, technology and capital. They don't need even to live in Africa their lifestyle may be already different. They don't need to campaign for aid to Africa. No. They need to become regular tourists, and investors. They need to develop a positive view of Africa – and help to change Africa positively. A rich Africa is important for all humanity and flora and fauna.

The Chinese diaspora and their FDI at home in mainland China

We first note that the Chinese diaspora are one of the largest community scattered all around the world; with 70 percent of this number living in South East Asian region[166].

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[164] Only few survived the voyage and got out of the ships where they had been packed much like sardines.

[165] Alex Haley's book, The Roots: The Saga of an American Family (1976), (and a film was made out of it) is the only account which shows that some people came from West Africa. Alex's roots are traced to Senegambia. We note that Alex's American kin was once US diplomat to Senegambia

[166] Chareonwongsak, K., Senior Fellow, Harvard University, "The Global Chinese Diaspora - Creating Wealth, Contributing to National Development Abstract"; Available at

The overseas Chinese have contributed to the economy in China Mainland. They have invested there. Around 67 percent of FDI in china was from overseas Chinese[167]. One of the schools of thought about the success of Chinese in business in the host countries and in their homeland (China) is that they culture, ethnicity and business networks are important factors. With globalization, the importance of these factors seems to be reducing[168](but have not completely disappeared). Culture and ethnicity continues to tie the diaspora Chinese to china. A Chinese culturally remains Chinese whether in USA, UK, Germany, Africa or Asia regardless of the years spent abroad, western education attained or level of wealth. They have business networks (probably followed by Indians) premised on their culture and ethnicity. While most African throw aside their culture (languages, names, etc), Chinese keep their culture including languages. Wherever they are, most of them speak understand Mandarin and Cantonese.

The importance of government policies and institutions to attracting diaspora: The Chinese government instituted a policy for benefiting from diaspora Chinese. Various actions were undertaken to implement such an actions to create a relationship between overseas Chinese and the homeland including establishment of the Overseas Chinese Affairs Office, and All China's Federation of Returned Overseas Chinese. The government of China also undertook to participate in activities of the Chinese communities overseas[169]. Further, it provided special incentives for promoting FDI from diaspora Chinese; and also put special incentives to promote overseas talent chines to return and work in their homeland[170].

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http://www.asli.com.my/uploads/20121128045203_Full%20paper_Dr%20Kriengsak%20Chareonwongsak_231112.pdf (accessed on 11/9/2014)

167 Chareonwongsak, K., (2012), "The Global Chinese Diaspora – Creating Wealth, Contributing To National Development", Report of the proceedings of the 4th World Chinese Economic Forum held at the Melbourne Convention Centre, Melbourne, Australia; 12th – 13th November 2012

168 Chareonwongsak,K., Senior Fellow, Harvard University, "The Global Chinese Diaspora - Creating Wealth, Contributing to National Development Abstract"; Available at http://www.asli.com.my/uploads/20121128045203_Full%20paper_Dr%20Kriengsak%20Chareonwongsak_231112.pdf (accessed on 11/9/2014)

169 The government of Uganda has been attending the annual conference of Ugandan diaspora; and promoting Uganda as a good investment country in Africa.

170 Chemouni, B., (2009). The Diaspora as an economic asset: How China and India use their diaspora to support economic development. Msc Dissertation; MSc China in Comparative Perspective; London School of Economics and Political Science

According to the World Bank (2014), Nigeria (Sub-Saharan Africa's main remittances recipient) is preparing for a diaspora bond issue to mobilize diaspora savings and boost financing for development[171].

Presence of Africa's natural resources and conflicts

Could be that because of good climate which did not require money to buy warm clothing during winter meant that people had no reason to work hard? Could it be that because where you throw a seed it germinates and you get meant that there was no hard work? Or it is the meddling interest of rich countries that have meant that African countries don't grow and develop?

Africa is believed to possess a significant proportion of global reserves: 30 percent of bauxite, 60 percent of manganese, 75 percent of phosphates, 85 percent of platinum, 80 percent of chrome, 60 percent of cobalt, 30 percent of titanium, 75 percent of diamonds and nearly 40 percent of gold. Sub-Saharan Africa produces 7 percent of global oil production and known reserves are of a similar magnitude[172]. Diamond is one of the worlds' and specifically Africa's major natural resources. An estimated US$13 billion worth of rough diamonds are produced per year, of which approximately US$8.5 billion are from Africa (approximately 65 percent). Global diamond jewelry sales continue to grow, increasing three-fold in the past 25 years, and are currently worth in excess of US$72 billion every year[173].

According to the Technology Innovation Agency (2011), South Africa has got a total mineral endowment estimated at US$4.71 trillion. The country also has been identified as the world's richest in terms of its non-energy mineral reserves which are worth an estimated US $2.5 trillion. It has the world's largest reserves of Platinum Group Minerals (PGM's), chrome, gold, vanadium and manganese[174] contributing 49 per cent of the value. Taken with minerals

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[171] The World Bank (2014), "Remittances to developing countries to stay robust this year, despite increased deportations of migrant workers" (Available at http://www.worldbank.org/en/news/press-release/2014/04/11/remittances-developing-countries-deportations-migrant-workers-wb (accessed on 11/9/2014)

[172] Source: Inter-ministerial Committee for International Cooperation and Development (CICID), "Mineral resources and development in Africa", Strategic guideline document, pg. 32. (available at http://www.diplomatie.gouv.fr/fr/IMG/pdf/mineral_resources_DOS_2010.pdf (accessed on 12/24/13)

[173]Source: http://www.worlddiamondcouncil.org/download/resources/documents/Fact%20Sheet%20%28The%20Diamond%20Industry%29.pdf (accessed on 12/24/13)

[174] Technology Innovation Agency (2011), "The Mining Sector Innovation Strategies Implementation Plan 2012/13 – 2016/17" (available at

unique to the Bushveld formations, then the Bushveld Complex hosts 55 per cent of South Africa's mineral wealth. The Witwatersrand Basin, the dominant host of gold and uranium contains only 16percent of South Africa's mineral wealth. This is equivalent to 42percent of recorded global gold reserves. A unique phenomenon is the iron ore manganese fields of the Northern Cape that contain 13percent of South Africa's mineral endowment (Eco-Partners, 2011:1)[175].

Evidence (AfBD 2010 and UNECA 2013) shows that most African countries economies are driven by mineral and primary commodity exports with volatile prices and limited contribution to employment. It shows that for example in 2008, crude petroleum, natural gas, etc. accounted for 60 per cent of total exports from Africa (AfDB 2010)[176]. In 2010, Africa accounted for a total share of 12.2 percent of the global oil production. Mineral resource exports contribute to merchandise exports in 24 (44 per cent) of Africa's 54 countries. (UNECA 2013:10)[177].

There is an interesting comparison between resource rich developing countries in Africa that have lagged behind and Asian successes such South Korea, and Singapore. The Asian countries were resource poor. No diamonds, gold, coltan, or oil. Not even fertile soils or good climate. See the African countries with several people wallowing in poverty and all have minerals: DRC, Tanzania, Nigeria, and Zambia, etc. There are several ways we can view the abundance of natural resources as contributing to problems in Africa. First, they have attracted interest of politicians and businesses from the rich and advanced developing countries. The business interests have a profit motive, and competition rules the business world. Profit means that you have to manage costs and add a markup on the selling price. This means that they have to ensure continued sources of raw materials. Historically, the source of raw materials of the mineral nature, for example have never been a developed country. This may explain why DRC is vast resources is more underdeveloped. Mining

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http://www.tia.org.za/CMS/uploaded_docs/TIA%20Mining%20and%20Minerals%20Innovation%20Strategies%20Implementation%20Plan%20%282012%20-%202016%29.pdf#page=1&zoom=auto,0,28 (accessed on 12/24/13)

175 Eco-Partners (2011), "Synopsis of The Mineral Resources and Reserves In South Africa", (Source: http://www.kwikwap.co.za/ecopartners/docs/Mineral%20Resource%20and%20Reserves%20of%20South%20Africa.pdf (accessed on 12/24/13)

176 AfDB (2010) cited in UNECA (2013:10),"Economic transformation in Africa: Drivers, Challenges and Options" Issues Paper, *Prepared for the Third Meeting of the High Level Panel of Eminent Persons,* 30th January to 1th February, 2013

177 UNECA (2013),"Economic transformation in Africa: Drivers, Challenges and Options" Issues Paper, *Prepared for the Third Meeting of the High Level Panel of Eminent Persons,* 30th January to 1th February, 2013

interests are willing to 'buy-off' the leadership of such a country in order to keep in the country's mines. Mining in Africa takes place with the blessing of the political leadership.

Second, there is rent capture and rent seeking by mainly the political leadership. Throughout Africa, subsoil assets are the property of the state[178]. African governments have been successful at capturing rents from minerals. Venables (2012) citing Daniels (2009) and IMF (2007) shows that hydrocarbon contracts have generally been better, and average effective tax rates are high (Angola 95 percent, and Nigeria 72 per cent), and the government of Botswana is estimated to take about 75 per cent of diamond mining profits (Venables 2012:389). These rented have been diverted away from the government and the citizens through corruption, theft, and dissipation on rent-seeking activities[179]. Countries such Nigeria, and Cameroon cannot account for all the natural resource rent. Nigeria is a classic example where oil rent has been stolen year after year in US$ billions. Estimates for Nigeria suggest direct theft of oil ('bunkering')[180]. In Nigeria, the continent's biggest oil producer, at least US$400bn (£250bn) of oil revenue has been stolen or misspent since independence in 1960, according to estimates by former World Bank vice-president for Africa, Oby Ezekwesili[181]. That is 12 times the country's national budget for 2011. Meanwhile, 90% of people live on less than $2 per day[182].Gauthier and Zeufack (2009), find that Cameroon may have captured a sizeable portion of its oil rent –around 67 per cent. However, only about 46 per cent of total oil revenues accruing to the government between 1977 and 2006 may have been transferred to the budget. The remaining 54 per cent are not properly accounted for. The paper argues that poor governance is the culprit[183]. According to The Economist (2011), "Africa's Natural Resources: Spread the Wealth", insiders and profiteers are increasingly using oil revenues to take over service industries. They crowd out entrepreneurs and create their

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[178]Venables, J.A., (2012:389), "Managing Natural Resource Booms" in (eds.), Ernest Aryeetey, Shantayanan Devarajan, Ravi Kanbur and Louis Kasekende, The Oxford Companion to the Economics of Africa, 2012; Oxford University Press: Oxford

[179]Venables, J.A., (2012:389), "Managing Natural Resource Booms" in (eds.), Ernest Aryeetey, Shantayanan Devarajan, Ravi Kanbur and Louis Kasekende, The Oxford Companion to the Economics of Africa, 2012; Oxford University Press: Oxford

[180]Venables, J.A., (2012:389), "Managing Natural Resource Booms" in (eds.), Ernest Aryeetey, Shantayanan Devarajan, Ravi Kanbur and Louis Kasekende, The Oxford Companion to the Economics of Africa, 2012; Oxford University Press: Oxford

[181]Source: BBC"Africa Debate: Will Africa ever benefit from its natural resources?", 15 October 2012 (http://www.bbc.co.uk/news/world-africa-19926886 (accessed on 1/8/14)

[182]Source: BBC "Africa Debate: Will Africa ever benefit from its natural resources?", 15 October 2012 (http://www.bbc.co.uk/news/world-africa-19926886 (accessed on 1/8/14)

[183] Gauthier, B., and Zeufack, A.,(2009),"Governance and Oil Revenues in Cameroon" OxCarre Research Paper 38, Oxford University.

own monopolies. At first glance, countries like Angola look as if they have thriving private sectors, but those firms are really loose cartels run by the oil-rich elite. Some governments are also using resource cash to maintain control. Cronies buy independent media and foreign leaders hear that access to oil depends on turning a blind eye to the brutal silencing of domestic critics[184].

Third are the conflicts that arise due to the public feeling that resource rents have been stolen by people in power. This is partly the resource curse. The resource curse refers to a situation whereby a country has an export-driven natural resources sector that generates large revenues for government but leads paradoxically to economic stagnation and political instability. According to AfBD (2007:96-7)[185] the failure of natural resource wealth to lead to the expected economic growth and development has been attributed following factors, among others: the so-called "Dutch Disease" — the syndrome of rising real exchange rates and wages driving out preexisting export and import-competing industries; rent-seeking by elites and others that otherwise could put their energies into profit-making activities; volatility of prices and the "asymmetry of adjustment" (it is easier to ramp up public expenditure than to wind it down again); inflexibility in labor, product, and asset markets; and tensions between oil-producing and non-oil producing regions within countries[186].

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BBC "Africa Debate: Will Africa ever benefit from its natural resources?", 15 October 2012 (http://www.bbc.co.uk/news/world-africa-19926886 (accessed on 1/8/14)

[184]The Economist (2011) "Africa's Natural Resources: Spread the Wealth" (source: http://www.economist.com/node/18114495 (accessed on 1/8/14))

[185]Overseas Development Institute (ODI) (2006)cited by AfBD(2007:967)

[186] AfBD (2007:96-7), "Africa's Natural Resources: The Paradox of Plenty", African Development Report 2007(See http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/%28E%29%20AfricanBank%202007%20Ch4.pdf (accessed on 1/8/14))

EcoPartners (2011), " Synopsis of The Mineral Resources and Reserves In South Africa", (http://www.kwikwap.co.za/ecopartners/docs/Mineral%20Resource%20and%20Reserves%20of%20South%20Africa.pdf (accessed on 12/24/13)

Gauthier, B., and Zeufack, A., (2009),"Governance and Oil Revenues in Cameroon" OxCarre Research Paper 38, Oxford University.

http://www.diplomatie.gouv.fr/fr/IMG/pdf/mineral_resources_DOS_2010.pdf (accessed on 12/24/13)

http://www.worlddiamondcouncil.org/download/resources/documents/Fact%20Sheet%20%28The%20Diamond%20Industry%29.pdf (accessed on 12/24/13)

Inter-ministerial Committee for International Cooperation and Development (CICID); "Mineral resources and development in Africa", Strategic guideline document; pg. 32: Available at http://www.diplomatie.gouv.fr/fr/IMG/pdf/mineral_resources_DOS_2010.pdf (accessed on 01/11/2014)

Technology Innovation Agency (2011), "The Mining Sector Innovation Strategies Implementation Plan 2012/13 – 2016/17".Available at http://www.tia.org.za/CMS/uploaded_docs/TIA%20Mining%20and%20Minerals%20Innovation%20Strategies%20Implementation%20Plan%20%282012%20-%202016%29.pdf#page=1&zoom=auto,0,28 (accessed on 12/24/13)

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IDENTIFYING EXTERNAL CAUSES AFFECTING AFRICA'S GROWTH

Foreign aid

Most of the harm in the world is done by good people, and not by accident, lapse, or omission. Isabel Paterson: God of The Machine Chapter XX: *The Humanitarian with the Guillotine, 1943, p.241.* New York*:* G.P. Putnam's Sons, Van Rees Press.

Why continue the debate on aid when variously it has been discussed – albeit with no agreement on whether continued flows are actually helping Africa – by those on right and left, with some on the centre. Notable on this debate include Peter Bauer (who begun the critical debate on aid), William Easterly, Paul Collier, Homi Kharas, and recent books by Dambisa Moyo (Dead Aid), and Twineyo-Kamugisha (Why Africa Fails). There has been an emotional rather than rational and facts debate about aid recently engaged in by analysts and those supporting aid flows[187]. The aid debate continues because it is a topic relevant to current affairs in Africa, and there is new evidence why it has not worked. Please follow us and read through.

Foreign aid has been defined broadly as a government transfer from developed countries to poor countries aimed at the latter's development (Tarp 2006). The standard definition that is commonly used for foreign aid is that one of the OECD's Development Assistance Committee (DAC). DAC defines foreign aid *as the financial flows, technical assistance and commodities that are (i) designed to promote economic development and welfare as their main objective (it thus excludes aid for military or other non-development purposes); (ii) provided as either grants (at least 25 percent of total granted) or subsidized loans. We will refer to aid as the total sum of both concessional loans and grants. This definition refers only to official development assistance*[188].

Grants and subsidized loans are what are referred to as concessional finance. There is no unique definition of concessionality[189]. The IMF Balance of Payments Expert Group have

[187] There have been 'hot' exchanges between those committed to aiding projects in Africa, those fundraising for Africa, and those who are critical aid. Some have seen Dambisa Moyo as a conservative celebrity, held-high by Steve Forbes, and embraced by the US CATO Institute. Bill Gates has said that Moyo's book on aid promotes evil. Jeffery Sachs has criticized Moyo and Easterly for their narrow views on aid.

[188] Twineyo-Kamugisha (2012:105). Why Africa Fails. Cape Town: Tafelberg

[189] The DAC2 definition of concessional lending which is based on loan "grant element" computes concessionality as "the difference between the face value of the loan and the sum of the discounted future debt service payments to be made by the borrower expressed as a percentage of the face value of the loan". DAC uses a discount rate of 10 percent as the market rate of interest which raises the question as to whether the same discount rate should be applied in all cases irrespective of varying opportunity cost of

defined concessional debt as lending extended by creditors at terms that are below market terms with the aim of achieving a certain goal. They say that the governments, for example, may provide loans at low or zero interest rates, either to provide a benefit to the recipient or to encourage some action by the recipient (such as purchasing goods from the lender's country)[190].

Foreign aid in form of commodities? Yes. Aid can be in form of commodities. For example according Tarnoff and Lawson (2011), US assistance can take the form of cash transfers, equipment and commodities, infrastructure, or technical assistance[191].

Some countries with a developed agricultural and related sector have been giving some countries in Africa aid in form of commodities such as maize floor (call it 'posho' in some African countries terms), and cooking oil. This is the case of USA where maize products and beans, and cooking oil have been part of the aid projects for decades in Africa (and Asia among others).

Food aid has been a big debate at the WTO and in 2006 at the WTO Hong Kong Ministerial (which could be finalized until in Bali 2013) WTO had agreed that governments be given the money to procure food locally. The argument was that it becomes expensive to procure and transport maize flour ('posho') from say USA to any African country. In a discussion with high level government operatives in Uganda in 2006, it was explained that during the insurgency (with people in internally displaced camps (IDPs)) in Northern Uganda, a kilo of maize flour from the US to Uganda cost 5,000 Uganda Shillings. A kilo of maize flour in the local Ugandan market was around 1,000 Uganda Shillings. In terms of US dollars, a kilo from USA was at US$ 2.8 while locally it was around US$ 0.6! Imported the food aid from the US was therefore five (5) times more than the cost of a kilo in the local Ugandan market. According to the Congress Research Services Report by Tarnoff and Lawson (2011), the Foreign Assistance Act of 1961 limits the expenditure of foreign assistance funds outside the United States[192].

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capital in different economic environments. (IMF (2004), "Concessional Debt" , Committee On Balance Of Payments Statistics Balance Of Payments Technical Expert Group (BOPTEG), Issues Paper (BOPTEG) # 29, p.4).

[190]IMF (2004), "Concessional Debt" , Committee On Balance Of Payments Statistics Balance Of Payments Technical Expert Group (BOPTEG), Issues Paper (BOPTEG) # 29, p.3

[191]Tarnoff, C., and Lawson, M, L., (2011), "Foreign Aid: An Introduction to U.S. Programs and Policy", CRS Report for Congress prepared for Members and Committees of Congress, Congressional Research Service.

[192] Section 604 of the Foreign Assistance Act of 1961 (P.L. 87-195; 22 U.S.C. §2151)—often referred to as the "Buy America" provision—requires that funds be spent "only in the United States, the recipient country, or developing countries" unless the assistance requires commodities or services that are not available in

Aid conditioned in this way on the procurement of goods and services from the donor-country is sometimes called "tied aid," Studies have shown that tying aid increases the costs of goods and services by 15-30 percent on average, and up to 40 percent for food aid, reducing the overall effectiveness of aid flows. (Tarnoff and Lawson 2011:19)

Why countries need aid

This a good question. If we think aid may not help a country achieve economic growth and reduce poverty in the recipient country, why do donor countries give it, and why do recipient countries seek and accept it?

There have emerged various schools of thought about the role of foreign aid as a development tool in Africa. One school views aid as counterproductive – inhibiting the growth it is supposed to enhance. The other *school views aid as very important for addressing lack of funds by governments for budgetary allocations* to provide public goods such infrastructure, defense, security, and funds foreign missions.

The debate on the future of international development assistance has tended to become oversimplified into two warring camps: aid-optimists, who believe that drastic increases must be made in international development assistance to fill the investment gaps that inhibit growth in Africa; and aid-pessimists, who contend that such massive increases will exacerbate economic under performance and weak and autocratic governance on the continent (Joseph and Gillies 2009:13). In their *Smart Aid (2009)*, Joseph and Gillies assuming a more modest perspective, acknowledge the limited but real potential benefits of foreign assistance to accelerate growth and development. They offer no easy and glib solutions[193].

Countries may need aid to use it for covering the budgetary deficit. They have a short fall in their budget. The government cannot meet all its current year's budgetary requirements – under the national priorities. They need to finance a budget deficit. A fiscal or budget deficit can be defined as the difference between current *plus* capital expenditure and current receipts. In other words, planned expenditure exceeds expected revenue. There are two major ways of covering the deficit: borrowing and appealing and get foreign aid. Borrowing can be done internally (domestic borrowing) or externally (foreign borrowing). The government can may borrow domestically, borrow from abroad or receive aid for three

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any such country or the President determines that procurement from an otherwise excluded country is necessary.(Tarnoff and Lawson 2011)

[193]Joseph, R., and Gillies, A., (2009:13). Smart Aid for African Development. Boulder: Lynne Rienner

reasons: public investment; avoid increases in tax that maybe distortionary; and the stabilisation of macroeconomics generally.

The government may borrow or obtain aid to finance the procurement of capital assets such as roads, schools, health facilities, etc. These are massive investments that require large expenditures. Given the level of tax/GDP ratios which for most SSA are less than 15 per cent, such investments need funds from outside of government. They have long terms paybacks and therefore may not be attractive to the private sector domestically and sometimes internationally (FDI). Where the private sector is interested, it may be on public–private sector partnership not that the private sector meets all the costs. Even then the government needs funds from some source. That source could be aid grants or borrowing on concessional terms. Getting funds from abroad may help the government avoid the temptation of financing the deficit by printing money called *seigniorage*. Printing money not backed by production, causes inflation if the economy is near or at its potential output. Inflation will cause a fall in the real value (not the nominal value) of the incomes and savings of all economic agents.

The government may need funds from donors for revenue smoothing purposes. Most of the SSA suffers from weak domestic tax bases. They have narrow tax bases because most of their economy of small business is informal, agriculture is on subsistence and the raw or primary export commodities from mainly agricultural sector face international price volatility. Even those oil exporters and other resource rich SSA countries will have significant commodity (oil) related revenues (from licenses and royalties, taxes and others sources0 but still generally suffer from weak domestic tax bases. Trying to introduce new taxes on same bases or the same small formal sector may that may be distortionary. The alternative is to undertake short term borrowing or get aid as grants.

Lastly, stabilisation of macroeconomics in the country is important. The stabilization function was identified my Musgrave as one of the three functions of government. Stabilization function covers the use of fiscal and monetary policy to try and maintain a more stable level of economic activity and output and reduce to a reasonable minimum the fluctuations in unemployment. The fiscal policy refers to the decisions relating to government expenditure, taxation and borrowing aimed at smoothing the booms and slumps in business within an economy[194].

[194] In most cases, developing countries borrow to stabilize the value of their currency and stop it from depreciating against the foreign currencies. The approach of stabilizing economies by smoothing out the cyclical fluctuations in the economy has been common in developed countries since the 1940s following the writings and advice of Keynes. Keynes (the Keynesian theory and Keynesian economics) argued that if

There is need for government to intervene and help speed up this adjustment. If aggregate demand in the economy is falling and total growth or output (GDP) is slowing down to boost production and demand the government should cut taxes. Reducing taxes means that the government has to meet the shortfall of government revenue by borrowing. This is the Keynesian approach in economics. What is important here is the role of government in enhancing growth and stability of the economy both in the short and long term. On other hand the monetary policy is about money and the behaviour of the financial sector. The government through the central bank can apply restrictive or lenient monetary policies to boost investment, employment and manage inflation under inflation targeting[195].

Before we discuss other reasons why countries seek aid, there are other ways of reducing a budget deficit. According to Easterly and Irwin (2007)[196], who looks at the 'fiscal illusion'[197], give ways of reducing the deficit as privatization and the sale of other public assets, reducing current spending in a way that actually increases spending in the futures (failure to spend on HIV/Aids affect spending in future), reducing public investment (has some negative effects on future growth as it reduces net-worth and lowers future revenues e.g. user changes and fees), substituting private for public investment (the public– private partnerships which have been criticized for replacing explicit public debt with off-the - balance sheet commitments especially where governments offer implicit or explicit guarantees that may result in future fiscal liabilities), reducing operations and maintenance spending (this is postponement to removal), postponing expenditure to a future fiscal years or bringing forward tax receipts to the current fiscal year, and requiring public pension funds to lend money to government at negative real interest rates.

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an economy was left to itself, it might self-stabilize following a recession but do so in the long – run. As he said " In the long-run we are all dead"

[195] Inflation targeting - controlling inflation through monetary policy is known as inflation targeting. The central bank forecasts the future path of inflation; the forecast is compared with the target inflation rate (the inflation rate the government believes appropriate for the economy); the difference between the forecast and the target determines how much monetary policy has to be adjusted. (source: http://www.imf.org/external/pubs/ft/issues/issues15/ (accessed on 01/03/14))

[196] Easterly, W., Irwin, T., and Servén, L., (2007), "Public Investment and Fiscal Stability", Policy Research Working Paper 4158, Washington DC: The World Bank.

[197] Fiscal illusion is defined by Easterly and Servén (2007) as fiscal adjustment that lowers the budget deficit but leaves government net- worth unchanged. The government can change accounting and other arrangements to make the deficit appear smaller than it was. Net-worth is defined as government assets minus liabilities. Accruals accounting where a balance sheet shows the assets and liabilities of the economy would reveal the impact on assets and future revenues that governments may acquire by incurring debt today (Easterly 2007)

There is another reason that is more important to the regime in power when aid is given. This key reason for receiving aid is political. Getting more aid is viewed by both the local and international publics as positive image for the regime in power. Most opposition parties visit embassies and rich capitals to convince their leaders to withhold aid as a sign that the regime is doing poorly on democracy, human rights and the sort. To the opposition, aid provides greater political leverage to the existing leadership to maintain its power and suppress opposition.

Why developed countries give aid?

Experience has shown that over the medium term development in countries receiving aid leads to increased consumption, which in turn produces growth in their imports of goods and services from the donor countries………For every 100 ECU spent on aid, the community recovers ECU 48 in projects, supplies and technical assistance purchased from European companies. (Source: European Commission, (1996:7), "20 Questions and Answers", Development, Vol. VIII/53, March 1996

There are various reasons for giving aid; most of these reasons are not economic. EU according to the above statement gives aid for commercial purposes (markets) and jobs for the Europeans. For the US, during the past 65 years, there have been three key rationales for foreign assistance (Tarnoff and Lawson (2011:3) :

i) National security has been the predominant theme of U.S. assistance programs;
i) Commercial Interests. Foreign assistance has long been defended as a way to either promote U.S. exports by creating new customers for U.S. products or by improving the global economic environment in which U.S. companies compete.
ii) Humanitarian Concerns. Humanitarian concerns drive both short-term assistance in response to crisis and disaster as well as long-term development assistance aimed at reducing poverty, hunger, and other forms of human suffering brought on by more systemic problems.

Tarnoff and Lawson (2011) write that in addition to the direct benefits derived from aid dollars used for American goods and services, many argue that the foreign aid program brings significant indirect financial benefits to the United States. First, it is argued that provision of military equipment through the military assistance program and food commodities through P.L.480, the Food for Peace program, helps to develop future, strictly commercial markets for those products. Second, as countries develop economically, they are in a position to purchase more goods from abroad and the United States benefits as a trade partner. (Tarnoff and Lawson (2011:19)

Aid is supposed to assist in the economic development of poorer countries. The economic objectives of aid are supposed to alleviate poverty and increase savings, and hence investments ultimately increase the rate of growth of GDP for developing countries. Developing countries have to reduce absolute poverty levels and therefore need more financial resources than they have to provide public and social services. There are two main sources of obtaining these financial resources into a country: aid or FDI. Most government go for aid first, and FDI later.

True the most concessional aid is normally provided to the poorest countries. But is support the poor countries to grow the only and most important reason for giving aid? Studies have found out that there are other reasons actually more important reasons for giving aid. Aid has been given to serve the donor's self-interests which include commercial and economic benefits. Foreign aid doesn't always go to the poorest countries because of commercial interests and economic benefit donor (developed countries).

Commercially, countries that are major trading partners of the developed country that gives aid have received more aid than the more poor countries. Aid helps to create a market for the recipient's products. So aid is given to create markets for products of the donor. The donor uses tax payers' money and in return obtains market for the goods of the tax payer. This creates more jobs in the donor's country. More effective demand for goods leads to more production of those goods. More production in agriculture and related industries wherever may call for more labour.

Food aid and technical assistance for aid funded bilateral projects usually come from the donor country rather than the recipient country. This means that more jobs are being created in the recipient country. Most donors insist on their nationals heading the projects even though they may lack the requisite country expertise (with inexperienced 'young mainly boys' sent to recipient countries). Some of us who worked with them know that they have deficiencies in understanding the operations and systems of government; and therefore less competent and less knowledgeable[198] to advise their local technical staff who are their

[198] The author witnessed a situation where his American Project Director, with very little knowledge on trade issues, and government policy making processes, instructed him to go to the Permanent Secretary (PS) (highest civil servant in the Uganda government ministry) and ask the PS to withdraw a draft policy that the line Cabinet Minister already submitted to the Cabinet! Among others, the author's refusal to do a

supervisees. Sometimes they tend to evaluate the local technical staff so that they don't deputize them on the next projects. The followers of their taxpayers money ('follow the money' approach of donors) are paid very well in hard currencies (with a hardship allowance as well). Their salaries are exempted from taxes. They don't pay local taxes such personal income tax (PIN) – in some countries it is called Pay as you earn (PAYE). Their sometimes luxurious vehicles that they drive are exempted of taxes. The official vehicles also come from the donor's country.

There are political and strategic considerations. Studies have found out that aid does not usually go to the 'neediest' countries. These studies conclude that "We find considerable evidence that the direction of foreign aid is dictated by political, strategic considerations, much more than by economic needs and policy performance of recipients" (Alesina and Dollar, 2000:2[199]). Most aid based on political considerations goes to relatively better offer countries. According to Todaro (1989:483), the direction of total aid is not always given to the neediest countries. Most aid based on political and military considerations goes to relatively well-off third world countries. For example of the ODA by income group 2011 (net disbursements) in USD millions, US$ 3 412 million went to the least developed countries. This is the biggest group including majority of SSA countries. Meanwhile, US$11,531 million went to the upper and lower middle income countries. These are few but in real terms received more aid than the least developed countries. In fact the lower middle income countries received around U$ 8,000 million.

Historically, and currently the donors have given aid for political and strategic reasons. Countries like Egypt, Greece, turkey, Israel, Kenya, and Uganda have received more US aid for different activities and projects because of their geopolitical significance. The political motives were and have been to obtain strategic advantages and instill the aspirations of the US such as ending communism, cultivating democracy, political stability, good governance, human rights, and national and regional security- including fighting terrorism.

Historically, USA used aid during the cold war to stop the spread of communism, and to reward friendly countries. It was opined that if the rich country in the western bloc does not help developing countries in Africa (and elsewhere), they will be won over by Russia[200]. The

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wrong thing resulted in a poor performance evaluation by the Project Director/Chief of Party. The author decided to call it quits. This is the situation associated with aid.

[199] Alesina, A., and Dollar, D., (2000), "Who gives foreign aid to whom and why?" Journal of Economic Growth, 5: 33-63.

[200] Friedman, M., 1958: "Foreign Economic Aid: Means and Objectives", Yale Review, Vol: 47.

friendly countries were usually those that would help USA protect against the spread of communism. Soviet Union also poured money into developing countries to expand the communist ideology[201]. Some African countries were pro-east and others pro-west. There were few genuinely pro-no bloc. There was a scramble for 'friends' by the capitalist and communist blocs with USA making mistakes by choosing those later Africa's worst dictators (including Mobutu).

So it can be concluded that the decision to grant aid to another is fundamentally a political decision. Foreign aid has been and always will remain part of the country's foreign policy and strategy. It difficult for example to find that a country can grant aid to countries deemed enemies. Aid from the powerful to the powerless countries is an instrument of power and politics. The end of the WWII witnessed the eventual emergence of the independent states which needed aid support to progress.

Historical ties with former colonies. Some countries give aid for what has been referred to as 'corrective justice'[202]. This is what African leaders and civil society in both the developed and developing countries have been using to push for more aid and debt cancellation. Such themes of guilt, atonement and entitlement resound. Countries assert that they need aid to address historical injustices inflicted on them by rich countries due to slavery and colonial exploitation. Colonial exploitation is associated with the cheap labour that was provided in Africa on cash crop farms (like coffee, cocoa, cotton, etc.) and in mines for gold, cobalt, diamonds, etc. Ethiopia is likely to get a large amount of aid from Italy because of Italy's brief invasion. Cote d'Ivoire is likely to get substantial amount of aid from France, its former colonial master (Abidjan used to be known as Africa's Paris)[203].

There is another issue of corrective justice. Third world countries are said to continue lagging behind the rest because the rich countries which dominate the global balance of power and trade continue to commit injustices against poor countries and poor people. The claims are that there is commercial and trade exploitation, toxic wastes dumping, and modern day slavery.

Aid reducing the effect of global public 'bads' or global negative public externalities: This is a new rationale for the rich countries giving aid to the poor ones. It rests much more on the direct spillovers of the lack of development in poor countries on to the well-being of rich

[201] Ghatak, S., 1986: An Introduction to Development Economics. Allen and Unwin Ltd., London , p.129
[202] Burnell, P., (1997): Foreign Aid in a Changing World. Milton Keynes: Open University.
[203] Collier, P., (2008:113), The Bottom Billion, New York: Oxford University Press

countries[204]. There is no question that the rapidly globalizing world has created major problems of cross-border and global externalities, and highlighted others. Population, environment, migration and refugees, drugs and crime and disease control are all topics likely to emerge at any conference that deals with the foreign policy agenda of the future, and are all areas where developing countries can affect industrial countries (Cassen 1997 cited in Jayaraman and Kanbur1999). Recent reports of African on boats capsizing and killing more than 130 of the around 500 immigrants died at Lampedusa[205] to rich Europe. Every now and again Africans are finding visa to go to the rich countries and disappear. The economic conditions in their countries force even the brighter and well educated out of Africa. What do they go to do in these countries? Odd jobs. Their countries may in rich in minerals, good fertile soils, good weather (no winter, no summer), and non-racist population but the economy pushes them out.

Jayaraman and Kanbur (1999:430) caution on about international public goods as a new rationale for aid. They say that international public goods certainly provide a rationale for international cooperation based on self-interest. But only in certain circumstances do they provide a rationale for donors to continue conventional transfers based on self-interest. At the same time, in the actual implementation of many public goods interventions, conditionality, fungibility, monitoring, sanctions and the like are ever present.

Is aid to Africa working?

There are varying views on the impact of aid on growth of recipient countries. Why it does not work? What are motives for giving aid?; how much actually is received? How much is actually utilized? How comes that some countries that have had rapid economic growth in the past 20 years such as China and India - have not been major aid recipients[206]. How come that DRC (first and most the world's richest country via mineral resources endowment) which is the top ODA recipient of aid in Africa is the country with all the problems of wars, exploitation, rapes and corruption, and poverty?

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[204] Jayaraman, R., and Kanbur, R., 1999, International public goods and the case for foreign aid, in: I. Kaul, I. Grunberg and M. A. Stern, eds., Global public goods: International cooperation in the twenty-first century (Oxford University Press, New York), pp. 418-435.

[205] Lampedusa: Immigrants from west Africa died when their boat got an accident enroute to Italy (Source: http://www.bbc.co.uk/news/world-europe-24380247 (accessed on 01/02/14))

[206] Easterly, W., and Pfutze, T, (2008), "Where Does the Money Go?", Best and Worst Practice in Foreign Aid'

Those who criticize the role of aid in poverty reduction and growth cite that aid bureaucracies among other things. According to Collier (2008:102), overall, despite bureaucracy, aid has been much more successful than oil. Aid has raised growth, oil has lowered it[207]. He finds that the biggest deviation was that far too much aid was going to the middle income countries rather than to the bottom billion[208] (or less developed lower income countries). In his view, aid alone is really unlikely, to be able to address the problems of the bottom billion, and it has become so highly politicized that its design is often pretty dysfunctional[209]. He supports development aid[210] as opposed to direct support for consumption in the landlocked countries is to improve their transport links to the coast. That aid should have been financing the regional transport corridors that are the lifelines for the landlocked. It has hugely failed to so[211].

Why aid is not working effectively?

Let us indulge in stating the reasons why aid is not working. We look at them here.

Aid is for creating jobs for the donors……..it is money spent for creating markets for the donor's products. Before we look at why aid is not in the interest of Africans, we need to know why the donors give it. ***Is the objective of giving aid for benefiting the recipient or the donor countries?***

Aid is part of the foreign and policy and strategy of the country that is giving another country that aid. No country designs its foreign policy and strategy so that it benefits more other countries than itself. Not true at all. As one South African reggae music icon, the late Lucky Dube sang "Blessed is hand that giveth than the one that taketh". According to the EU, the motives for giving aid to African, Caribbean and Pacific states (ACP) is to create markets for EU imports and employment for their citizens. In their 28 page publication entitled "20 Questions and Answers", March 1996, the EU gives two key reasons why it gives aid: markets

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[207] Collier, P., (2008), The Bottom Billion, New York: Oxford University Press
[208]Collier, P., (2008:104), The Bottom Billion, New York: Oxford University Press
[209]Collier, P., (2008:99), The Bottom Billion, New York: Oxford University Press
[210] IMF developmental aid (DA) as aid expended in a manner that is anticipated to promote development, whether achieved through economic growth or other means. Non-developmental aid (NDA) is defined as aid of all other kinds. One way to think about this definition of DA is that it is possible to rank-order aid expenditures based on the extent to which they are expected to promote development. Subsequently, one can identify a threshold of effectiveness in promoting development that will determine developmental and non-developmental expenditures. (IMF2009:7-8),"Development Aid and Economic Growth: A Positive Long-Run Relation", IMF Working Paper, WP/09/118).
[211]Collier, P., (2008:107), The Bottom Billion, New York: Oxford University Press

for imports and employment for EU citizens. "Experience has shown that over the medium term development in countries receiving aid leads to increased consumption, which in turn produces growth in their imports of goods and services from the donor countries"[212]. Almost half of the money given in aid comes back to the EU according to this publication. It states that "for every 100 ECU spent on aid, the community recovers ECU 48 in projects, supplies and technical assistance purchased from European companies"[213].

A lot is promised but little is actually given. This is the case for the EU and US which are the key donors to Africa. What is promised in the Memorandum of Understanding or cooperation documents is not what is actually received on the ground in Africa. More money is in the contract but never reaches African countries. It remains in the donor's country paying for maize flour and beans(these can be produced locally with the support) or cooking oil or vehicles that have to be procured from home country (except in rare situations with several approvals can you buy a vehicles for a US project that is not made in the US). Money remains in the donors countries to pay salaries of those 'following the money'[214].

Tarnoff and Lawson (2011: 18-19) try to answer the question: How Much of Foreign Aid Dollars Are Spent on U.S. Goods? Tarnoff and Lawson (2011: 18-19) write that most U.S. foreign aid is used to procure U.S. goods and services, although amounts of aid coming back to the United States differ by program. They continue to write that for some types of aid, the legislative requirements or program design make it relatively easy to determine how much aid is spent on U.S. goods or services, while for others, this is more difficult to determine. They present the following:

1. **USAID.** Most USAID funding (Development Assistance, Global Health, and Economic Support Fund) is implemented through grants and cooperative agreements with implementing partners. While many implementing partner organizations are based in the United States and employ U.S. citizens, there is little information available about what portion of the funds used for program implementation are used for goods and services provided by American firms.

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[212] European Commission (1996), "20 Questions and Answers", Development, Vol. VIII/53, March 1996, page 7

[213] European Commission (1996), "20 Questions and Answers", Development, Vol. VIII/53, March 1996, page 7

[214]Research has revealed that most of those who 'follow the money' in African countries to work on their country's donor funded projects are paid at time more than 30 times the salary of their local but qualified deputies.

2. **Food assistance** commodities are purchased wholly in the United States, and generally required by law to be shipped by U.S. carriers, suggesting that the vast majority of food aid expenditures are made in the United States.
3. **Foreign Military Financing**, with the exception of certain assistance allocated to Israel, is used to procure U.S. military equipment and training.
4. **Millennium Challenge Corporation.** The MCC uses procurement regulations established by the World Bank, which calls for an open and competitive process, with no preference given to donor country suppliers. As a result, MCC contracts are sometimes awarded to firms from developed countries other than the United States, which has been a source of some controversy.
5. **Multilateral development aid.** Multilateral aid funds are mixed with funds from other nations and the bulk of the program is financed with borrowed funds rather than direct government contributions. As a result, the U.S. share of procurement financed by MDBs may even exceed the amount of the U.S. contribution.

Aid is not given to boost economic growth. I have already said that aid is mostly given for non-economic considerations. So why expect it to influence economic growth. It was not given for that purpose. Globally, Curt Tarnoff and Marian Leonardo Lawson[215] at the Congressional Research Service, in their CRS Report for Congress prepared for Members and Committees of Congress they show that a small percentage of US aid is for economic growth. According to them, in FY2010, U.S. foreign assistance totaled US$39.4 billion, The U.S. Agency for International Development and the State Department, the primary administrators of U.S. foreign assistance, provided US$10.38 billion in security-related assistance; US$10.93 billion for health, education, and social welfare programs; US$3.64 billion for governance programs; US$5.21 for economic growth activities; and US$4.98 in humanitarian assistance (Tarnoff and Lawson 2011).

Donors concentration of ODA in social sectors: United Nations Commission for Africa (UNECA) based at the AU headquarters in Addis Ababa, identifies an external factor why Africa has not transformed: the disproportionate concentration of ODA in the social sectors as opposed to the productive sectors of agriculture and industry[216]. According to UNECA (2013), aid should be geared towards promoting structural transformation. It notes that structural transformation is crucial for sustained economic growth and poverty reduction in Africa.

[215] Specialist in Foreign Affairs and Analyst in Foreign Assistance respectively at the Congressional Research Service

[216] UNECA (2013:4), "Economic Transformation for Africa's Development", C-10 Meeting April, 2013 Washington D.C.

UNECA (2013), history and econometric evidence show that countries that have been successful in creating significant employment and reducing poverty are those that have gone through the process of structural transformation involving an increase in agricultural productivity accompanied by an increase in the share of manufacturing and modern services in output. Unfortunately, most African countries have not gone through the normal process of structural transformation. In 2008, the share of manufacturing in output was about 11 per cent and there is evidence of de-industrialization in the region[217].

UNECA has identified some of the reasons why aid has not made structural transformation of Africa possible. UNECA research (2013)[218] also provides reasons why aid has not played this crucial role of boosting domestic resource mobilization in the past. They are stated as:

i) Current aid allocation mechanisms rely on identifying a financing gap and then seeing how aid could close this gap. This approach can undermine incentives for savings and tax collection and needs to be re-examined[219].

ii) As a result of emphasis on the MDGs, there has been a shift in aid allocation from economic infrastructure and production to the social sectors. This shift has negative consequences for the development of productive capacity crucial for dynamic and sustained growth. By stimulating growth, Governments create the necessary condition for enhancing domestic revenue and private savings. In this regard, it is important that financing of social sectors is not achieved at the expense of financing of the economic infrastructure and production sectors[220]. These sectors should not be in competition with each other because financing for economic infrastructure can make a positive contribution to growth and generate more revenue for finance of social sectors.

    Yet, according to UNECA (2013:8)[221], Africa lacks key infrastructure such as paved roads, access to reliable sources of energy, safe water and the internet. In fact, less than 10per cent (in 10 countries) and less than 50per cent (in 33 countries) of roads in Africa are paved, 40per cent of Africa’s population lack access to safe water and

[217] UNECA (2013), “Making Aid Work for Africa”, ECA Policy Brief No.007, 2013
[218] UNECA (2013), “Making Aid Work for Africa”, ECA Policy Brief No.007, 2013
[219] UNECA (2013), “Making Aid Work for Africa”, ECA Policy Brief No.007, 2013
[220] UNECA (2013), “Making Aid Work for Africa”, ECA Policy Brief No.007, 2013
[221] UNECA (2013),“Economic transformation in Africa: Drivers, Challenges and Options”, Issues Paper, Prepared for the Third Meeting of the High Level Panel of Eminent Persons, 30th January to 1th February, 2013

despite a fast penetration rate of ICTs across the continent, access to the internet (3per cent) is extremely low. This hinders doing business in these country by increasing the costs of transport.

iii) ODA flows to Africa often finance domestic consumption rather than investment which is an engine of growth and is necessary to generate revenue[222].

Donors decide projects and where to put the aid money, the technical people from the governments of the recipient countries. Experience has shown that some projects on which the donors put money have not been chosen as priorities by the technical people in the beneficiary country. Such projects take long to get local technical buy-in; you also find that the priorities that have been identified by government are not supported. It is not uncommon to find that there are various projects falling under a ministry but yet that ministry has most of its priorities identified in ministerial policy statement, budget framework papers and medium term expenditure frameworks not covered. When the technical try to resists projects that do not fall under their priorities, they will be reported to higher authorities and may lose jobs.

There is competition for giving aid and because of this aid ends up doing nothing. There is another side to aid. First, countries compete to give aid to some countries. Donors often trip over each other and fail to coordinate[223]. In the end you find that donors are funding the same projects and others important activities are ignored. Technical officials tell researchers that donors don't consult them but simply come with already made projects; and ask them to work together and implement them. There is some anger brewing within the technical side of government. Usually the departments or ministries of government prepare their strategic plans for at least 3–5 years. These plans identify areas and activities of priority. In line with their strategies, they made ministerial policy statement annually indicating prioritized activities and the budget. Donors ignore this and fund areas and activities that the technical people deem not priorities. So it is possible to find a country with a lot of aid money yet 'crying' for underfunding for priorities.

Effects of aid on governance and public institutions: Aid may worsen the governance issues. Corruption is often cited. Corruption has been blamed as the cause of the failure of aid

[222] UNECA (2013), "Making Aid Work for Africa", ECA Policy Brief No.007, 2013
[223] See Collier (2008:101). The Bottom Billion. New York: Oxford University Press

effectiveness. Aid has been used by technical officers in most African countries to enrich them not the target beneficiaries. Aid does not always help to build and strengthen effective local public institutions. Studies[224] have found out that instead countries with good local institutions are the most able to use aid effectively.

Domestic and export subsidies for countries such the EU, USA and Japan make aid ineffective in the recipient countries. The donors who give subsidize their exports of agriculture and compete with African countries which face higher production costs.

Could it be that there are modest amount of aid reaching the poor? There in another argument by Kharas and Rogerson (2012:10)[225] that the amount of aid money reaching poor people is relatively modest. They state that a considerable fraction of ODA is in the form of studies, administrative overhead, debt relief and other efforts, and country partner administration of the aid projects or programes plus corruption[226]. This makes the official funding actually available for development projects and programmes in poor countries (what the DAC calls country programmable aid, CPA) as little as $40 per poor person per year[227].

Diminishing returns of foreign aid: *How much is too much aid?*

There is no standard rate of figure that has been suggested and empirically agreed as too much aid. It all may depend on the local conditions; and this varies. Riddell (2007)[228] raises the issue of absorptive capacity, indicating that studies have shown that the more aid a country receives, the more likely it is that additional amounts of aid will be used less and less efficiently. Collier (2007) quoting studies from the Center for Global Development which suggest that diminishing returns sets in when aid reaches about 11per cent of a country's

[224] Moss, T., Petterson, G., and van de Welle (2008). "An Aid-Institutions Paradox? A Review Essay on Aid dependency and State building in Sub-Saharan Africa" in, Easterly, W., (Ed) Reinventing Foreign Aid, Cambridge Mass: MIT Press.
[225] Kharas, H., and Rogerson, A., (2012:10), "Horizon 2025: creative destruction in the aid industry", Overseas Development Institute, July 2012
[226] Kharas, H., and Rogerson, A., (2012:10), "Horizon 2025: creative destruction in the aid industry", Overseas Development Institute, July 2012
[227] Kharas, H., and Rogerson, A., (2012:10), "Horizon 2025: creative destruction in the aid industry", Overseas Development Institute, July 2012
[228] Riddell R.C., (2007). Does Foreign Aid Really Work? Oxford: Oxford University Press.

GDP. Moss et al (2008)[229] quote studies which in one case suggest the limit of 5per cent of GDP.

In another study, depending on the local conditions, the limit is suggested at anywhere between 15 and 45 percent. There have been suggestions such as that of Wood that the upper limit of aid a country should receive (before diminishing returns set in) should be set at 50 percent of tax revenues (excluding oil and other natural resources revenues)[230]. The reasons for apportioning this is so that a government is dependent on its citizens for most of its revenues, therefore faces strong incentive to pay attention to the needs of its citizens. More often, it has been argued that too much aid makes governments 'less listeners' to their citizens. They are more accountable to the donors than the citizens. Another reason that Wood suggests that percentage is so that it becomes an incentive for government to raise more tax revenues in order to gain more aid.

Effects of aid on growth: impact of aid

Studies find that aid has a particularly strong negative effect on domestic tax revenues in low-income countries and in countries with relatively weak institutions[231]. When we look at both direct and indirect effects of aid on the economy, we find this: The direct effects alter production, incomes or consumption as a direct consequence of some project or intervention, while the indirect effects are less easily identified. Aid to public sector projects, for example, releases resources which can be used for cuts in taxation and borrowing, or increases in expenditures. The private sector is indirectly affected, for example, via changes in relative prices. Aid may also affect the policy environment. Both via direct and indirect channels aid may have an effect on investment. Since the long term aim of aid is that the recipient country should grow from its own resources, the impact of aid on domestic resource mobilization is also essential (Bigsten1998:6).

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[230] Wood, A., Financial Times, 15 September 2008.

[231]Benedek, D., Crivelli, E., Gupta, S., and Muthoora, P., (2012), "Foreign Aid and Revenue: Still a Crowding Out Effect?" IMF Working Paper, WP/12/186

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Unfair foreign influence towards Africa

As we have said before, colonization is not a viable excuse used by African leaders as a cause of the continent's current poor economic showing. There are other stinging reasons associated with those leaders and leadership in general.

The long term effects of slave trade and colonization can be associated more with social and moral issues of the people of Africa. During and immediately after colonization (and may be till now; neocolonialism), there are psychological effects of slave trade and colonization. The colonized people were often subjected to physical and emotional violence. As workers for example house helps, they were always called 'Boy' even when they were older than their masters. The medical profession and psychiatry will tell you that such treatment leads one to develop neuroses. Therefore, this kind of treatment made Africans develop different varieties of neuroses from one of inferiority complex to the desire to be white in order to be recognized. It is not uncommon that every successful black tends to get a white spouse. Look at most celebrities or stars. This is not bad at all. It could be related to the psychology of the superiority and racism in company with its persistence in their minds. We must take note that this happened in pre-colonial and feudal Africa too where the dominated ethnic group whenever they got wealth married among the so-called rulers or the royals. There are two things mentioned why the wealth ones married from the 'royal' group. One, it was a secret of the dominating minority to keep watch of such people lest they influence the majority against the chiefs, kings and queens. Two, it was an attempt to 'convert' those who emerge and succeed in society from non-royals. This would give other majority lesser power and control of state affairs.

Africa since colonization has been a target for external interests and political agendas of the developed countries; and recently the advanced developing countries. Africa as a continent finds itself engulfed by the interests of mainly USA, the EU, Russia, and lately China. There are other interests from India and Japan. Currently the BRIC(S) (Brazil, Russia, India, China, and recently South Africa) are aggressively positioning themselves to penetrate all African countries. Their entry base seems to be South Africa.

Having interests in Africa by other continents, countries, or blocs is not always bad especially when the agenda is dealing with development. Foreign influence can be positive when it leads to development. Africa has to develop with partnership of other partners those within Africa and those other countries or bloc of countries. Foreign influence can be negative where it has failed to develop a genuine and mutual partnership for growth and development. This turns out to be foreign intrusion. African countries have to know that both foreign influence and intrusion are not about to stop. You can minimize intrusion by being organized as country both politically and economically.

Traditionally, the two big blocs playing their political and military games in Africa were USA and the Soviet Union (USSR) or Russia. Each bloc used their resources to penetrate and get countries on their side and for a long time, they have won. The fall of Soviet Union came when Mikhail Gorbachev who had started reforms and allowed in goods from the west left office in 1991. Around this time, the Russian Federation was at the height of financial woes and Gorbachev's reforms reduced the 'rope pulling' by the two powerful blocs: Western bloc and Eastern bloc. Since that time, the world has been unipolar controlled by USA. Meanwhile there has been the EU related to USA as part of the western bloc, Asia and the Arab World.

The EU has continued its relationship that began mainly with colonization to date. EU countries have a big hold on the economy of Africa. In West Africa, most Francophone countries currency is controlled and managed by the French Franc! Their currencies are Franc. It is mostly likely that should the French Franc fall, West African countries will face currency volatility. Remember that France is a key member of the EU. Most of African countries find that the EU is their first export market before they think of the neighbouring markets. For around 3 decades, the east African countries major export market has been the EU not COMESA. This is changing.

There is another angle to the Africans relationship with the EU: language and the system of education. All countries that were colonized by France and Belgium all use French as the official and business language. In fact most people in these former colonies do no not use their tongue commonly and historians trace this to the French policy of assimilation[232]. Let us look at the English. The British colonies which are also known as 'the commonwealth members' use English language as their business and official language and the the education system is modeled on that of their colonizers.

The legal system: *'you are guilty until proven innocent'* or *'you are innocent until proven guilty'*. Those of the French colonies have heard the legal system that assumes that you are guilty before you are cleared by evidence as innocent. In the commonwealth, 'you are innocent until proven guilty'.

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[232] The French used the policy of assimilation in its colonies. The people in Africa were literally turned into French. They lost their culture and language and got assimilated into the French culture.

It is true that no country primarily sets its foreign relations policy and strategy to benefit other countries. It is primarily to benefit the one who designs that foreign policy and strategy. So aware of this, we can discuss the role of different developed countries and blocs interest in Africa: to largely benefit these countries more and foremost than Africa.

Personal views of individual Leaders of developed countries

The role of leaders in the west is critical to for Africa's growth and ultimately development. Countries that obtain more foreign aid, grants and concessional loans from governments of developed countries need the blessing somehow of the current leader of the country from which that African country wants to borrow. Start with the G-7and later G8 (the US, Japan, France, Germany, Italy, UK, and Canada) and their role in foreign aid and debt forgiveness for African countries. First, debt relief. There were two facilities of debt relief: HIPC Debt Initiative, and MDRI.

HIPC Debt Initiative: The continued poor performance of low – income countries (especially in Sub Saharan Africa) receiving stabilization support from led various governments, NGOs and academics to call for debt relief[233].Instead, it was argued, that an external constraint high, inherited, levels of foreign debt crippled individual countries' capacity to overcome poverty. Surely, it was argued, a country that pays more each month in interest and debt payments to foreign creditors than the money it pays for running schools or hospitals has spending priorities that are not conducive to poverty reduction or to growth**.** The debt relief campaigns led to the Enhanced Heavily Indebted Countries (HIPC) Initiative. In 1999, in Cologne Germany, the heads of state of the G-7 industrial countries agreed to the package that came to be known as HIPC. The HIPC initiative[234] was a major effort led by the IMF and World Bank to provide debt relief to heavily indebted poor countries. It was launched in 1996 and enhanced in 1999, and it was availed to eligible countries[235].

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[233] CeFiMS, (2013:12)," International Monetary Fund," SOAS, University of London.

[234] The list of countries potentially eligible for debt relief under the HIPC Initiative was ring-fenced in 2006 and in 2010, comprising eligible countries having adopted a program supported by the IMF after October 1, 1996, who have received or are eligible to receive assistance to the full extent available under traditional debt relief mechanisms, whose debt ratios at end-2004, after the hypothetical application of traditional debt relief mechanisms, were assessed to have exceeded the HIPC Initiative debt thresholds as well as countries that might be assessed in the future to have met such debt thresholds at end-2004 and end-2010. (CeFiMS, (2013:12), SOAS, University of London.)

[235] To be qualified for debt relief under the HIPC Initiative a member's present value (PV) of external public and publicly-guaranteed debt based on end-2004 and end-2010 data must exceed 150 percent of exports

There have been some challenges in the achievements of the objectives of HIPC initiative. One such challenge is that governments have failed to manage post – HIPC economies well, and as a result, some countries are heavily indebted again. There was also lack of prudential management resulting in corruption in government offices.

The Multilateral Debt Relief Initiative (MDRI): Established in June 2005, MDRI was an additional mechanism to HIPC that was established to accelerate debt relief for eligible LICs. It was started by the IMF, World Bank and the African Development Bank and it cancelled 100 percent of their debt claims on the countries that have reached or will eventually reach the 'completion point' under the HIPC. As MDRI provides full debt relief, it frees up additional resources – which the country can use to address poverty reduction. This debt relief mechanism, unlike HIPC, does not require that a country meet on the parallel- debt relief on the part of official bilateral or private creditors or other multilateral institutions beyond the three institutions which support the mechanism. Later, in 2007, the Inter-American Bank also decided to provide similar debt relief to 5 countries that it financially supports in Latin America. It total, 32 countries have qualified for and received MDRI since 2005.

Overall, these two debt relief facilities benefitted African countries, by reducing debt repayments and amortization. We cannot however, say that countries used the funds forgiven prudently. Some of these countries whose debt was waived still have high levels of debt.

Granting foreign aid: Obtaining aid too requires a country to be in good books of the developed countries leaders. Depending on their view of leader of African country, they will support or not support that country. We have seen that giving aid is primarily a political decision. So if the leader of a rich country that does not make that decision to support a country then on support goes to that country. There will be situations when a country will receive support even when the leader of the rich country does not 'like' the leader of the other country. This is when the donor fills that geopolitically the poor country occupies a strategic position.

The G8 and their support internationally: The G8 have power and influence over the aid and financial resources from the developing to developing countries of Africa. For example at Gleneagles236, in 2005, they promised and committed to supporting poverty reduction via MDGs and trade among others. They pledged to increase ODA to the poor countries. The EU

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or 250 percent of revenue. The fiscal revenue threshold only applies if exports to GDP are at least 30 percent and revenue to GDP 15 percent. (CeFiMS, (2013:12), SOAS, University of London)

[236]Source: G8 Gleneagles 2005: Africa, and at http://www.g8.utoronto.ca/summit/2005gleneagles/ (accessed on 01/02/2014)

pledged to reach 0.7 percent ODA/GNI by 2015; Germany undertook to reach 0.51 per cent of ODA/GNI; and France promised to double its support to Africa by 2012.

Visit by a leader of powerful country: The visit by a leader of powerful country to an African country usually signals some efforts on the part of the current leader of an African country with regard to democratization, human rights, and economic growth. You should know the lobby of African government at the State Department requesting that their countries be visited! Such leaders carefully choose which countries to visit. It helps present a new image of those countries that they visited and also highlight the plight of the continent in both the local and international media. The countries that they visit are usually viewed as those working hard to achieve liberal democracy[237]. The visit immediately brings in international media attention. The media exposes that country to the world. Most leaders are accompanied by the investors, who negotiate investment deals. We know that foreign investments are important in addressing the capital question of Africa.

Emerging BRICS as economic giants and their relations with Africa

Let us first estimate the economic power of the BRICs. They were originally the BRICs as they were termed by Goldman Sachs in *"Building Better Global Economic BRICs"* in 2001. These were Brazil, Russia, India and China. According to Goldman Sachs, in 2001 and 2002 the real GDP growth of these BRICs countries would exceed that of the G7. They advised the G7 to incorporate the BRICs representative in their meetings. They also noted that at the end of 2000, GDP in US$ on a PPP basis in Brazil, Russia, India and China (BRICs) was about 23.3 per cent of world GDP. On a current GDP basis, BRICs share of world GDP is 8 percent in 2000[238].

China, a developing country, at 3.6 per cent of world GDP (using current US$ prices in 2000/2001), was slightly bigger than Italy at the end of 2000, and notably larger than

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[237]In 1998 President Clinton visited Ghana, Uganda, Rwanda, South Africa, Botswana and Senegal. In 2003, President GW Bush visited Senegal, Botswana, Uganda and Nigeria. In 2008, President GW Bush visited Benin, Tanzania, Rwanda, Ghana, and Liberia. In 2009, President Obama visited only country in Africa - Ghana. On his 2nd journey in 2013, he visited Senegal, South Africa, and Tanzania.

[238]Jim O'Neal, Goldman Sachs (2001), "Building Better Global Economic BRICs", Global Economics Paper No: 66, (Available athttp://www.goldmansachs.com/our-thinking/archive/archive-pdfs/build-better-brics.pdf (accessed on 01/01/2014))

Canada[239]. Based on the size of world GDP at that time, BRICs were in top 10 positions - as China was number 2, India number 4, Brazil number 9, and Russia was number 10. According to Goldman Sachs, the BRICs were projecting positive growth exceeding G7.

In contrast, we expect China's relatively robust GDP growth and low inflation to persist, and notably stronger real GDP growth in Russia and India than the G7. Of the four 'emerging' countries under focus only Brazil is likely to experience weak 'G7-style' growth[240].

In 2010, the BRICs expanded when they were joined by South Africa (to become BRICS); and these five countries have a combined total GDP at 25 per cent of global GDP. In 2011, according to Russian Minister of Froeign Affairs, Sergey Lavrov, BRICS countries accounted for 25 per cent of global GDP (based on the purchasing power parity of national currencies), occupy 30 per cent of global land area, and has 45 per cent of the world's population. Over the past decade, their economies have grown by 4.2 times, compared with 61 per cent growth in the developed countries (Lavrov, 2011:12). In real terms, exports from the BRICS surged by 16 per cent in 2010, and 4.4 per cent in 2012. The BRICS-world trade amounted to an estimated US$5.6 trillion in 2012, making up nearly 16 per cent of total global trade up from 10 percent in 2008[241]. Intra-BRICS trade is increasing. In 2012, it was estimated that intra-BRICS trade reached US$310 billion, up eleven-fold since 2002[242]. In 2013, intra-BRICS trade accounts for almost one-fifth of BRICS total trade with emerging markets, up from just 13 per cent in 2008. Last year, more than half of all exports from China, India and Brazil, and 48 percent from South Africa, were destined for emerging markets[243].

This group is a big market for itself and for Africa. In a meeting in March 2013, in South Africa, they sought to establish a bank for international development for BRICS and Africa. As a bloc of countries, the BRICS seem to be well received in Africa. This is probably because they were recently mostly less developed. Also, while they are advanced now, they still exhibit

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[239] Goldman Sachs (2001), "Building Better Global Economic BRICs", Global Economics Paper No: 66, (Available at http://www.goldmansachs.com/our-thinking/archive/archive-pdfs/build-better-brics.pdf (accessed on 01/01/2014))

[240] Jim O'Neal, Goldman Sachs (2001), "Building Better Global Economic BRICs", Global Economics Paper No: 66, (Available at http://www.goldmansachs.com/our-thinking/archive/archive-pdfs/build-better-brics.pdf (accessed on 01/01/2014))

[241]Freemantle, S., and Stevens, J., (2013), "BRICS trade is flourishing, and Africa remains a pivot", Africa MacroEM10 & Africa, Standard Bank.

[242]Freemantle, S., and Stevens, J., (2013), "BRICS trade is flourishing, and Africa remains a pivot", Africa MacroEM10 & Africa, Standard Bank.

[243]Freemantle, S., and Stevens, J., (2013), "BRICS trade is flourishing, and Africa remains a pivot", Africa MacroEM10 & Africa, Standard Bank.

most of the characteristics of developing countries. Like the developing countries of Africa, they face similar treatment from the developed countries. We shall now look at the rise of China, one of the BRICS and what it means for Africa's economic and politics.

The rise of china

The rapid growth of china has got economists and political scientists talking 'in tongues'. Each analyst wants to say something about china's economic transformation and poverty reduction from 1978 to the current situation. What is more puzzling is the economic system being pursued. China continues to pursue a socialist political system but with a market economy.

Let us briefly look at its road to the current state where the country is the second largest economy, at USD 5 trillion with slightly over USD 3 trillion in foreign reserves; and US's major treasury creditor.

In 221BC, China was united under its first Emperor Qin. Qin decided to respond to possible external threat along the northern borders by building the wall of 'civilization division' 'the Great Wall' in order to keep the so-called 'barbarians' outside China the 'land of civilization'. From that time, China seems to have remained autonomous, with its own kind of civilization until the arrival of the European colonialists in the 19th century. To the Chinese, their civilized land was perceived as the 'middle kingdom' of the world that was surrounded by the barbarians. This middle kingdom went through changes in the imperial dynasties with unchallenged culture and way of live (or civilization) until the 19th century.

The journeys of Marco Polo to the Far East and his story after returning to Italy led Europeans to develop interest in China. He described China as very powerful and wealthy country in that region ruled by stable and efficient elites. The country had a kind of developed technology during that time, before the industrial revolution in Europe. Since the Rome's time, the flows of trade and commodities were overwhelmingly from the East to the West through the *Silk Road*[244]. This meaning that there were commodities coming from China, and the Far East to Europe. The Opium War (1940-42), China's first war with the west ended in the country's big defeat. The Treaty of Nanjing that followed forced china to pay huge indemnity to Britain for compensation of the war and imposed a tariff on all of Chinese imported goods. There was the destruction of the Chinese way of life and the authority of the emperor was ended and the hand-labour based industries on the Chinese economy had been based were destroyed.

[244] Li Xing (2008), "Understanding China's Transformations: The Dialectical Nexus between Internalities and Externalities". Paper Presented at The Rise of China and Its Impact on the Existing Capitalist World System, Aalborg, Denmark.

China had a favourable trade balance until 1830 – and trade had brought in constant flow of silver from outside but after the war, the flow became lopsided[245]. After the war, China became a colony. It was controlled by the colonizer. For example China's customs and post offices were largely controlled by Westerners; Western ships were permitted to navigate freely in its waters, and even to demolish some of its coastal defense; many Western troops were stationed at a number of points on a permanent basis; pieces of territory in various parts of the country were taken over as concessions[246].

Fast forward. In 1978 at the 3rd Plenary Session of the 11th Central Committee of the Chinese Communist Party proposed efforts of reform by permitting open door policies under the leadership of Deng Xiaoping. Since then, China has maintained its socialist ideology while pushing forward with market economy. Private companies have assumed a leading role and some of the state owned enterprises have been sold to investors.

Before the reforms started, there had been economic inefficiencies. Market segmentation between the rural and urban sectors, barriers to economic flows across administrative boundaries, and differentials in the marginal productivity of capital and labor between farming and non-agriculture, between private and collective plots, and between producer and consumer manufactures all pointed to large-scale misdirection of resources, a sure sign of static inefficiency[247].

Ever since 1978, with the start of free market reforms, the opening of up to external trade and FDI, China has been among the world's fastest growing economies, with annual GDP growing at an average of 10 per cent through 2012. It has managed to get 300 million people out of absolute poverty in since 1978 to 2010. It has emerged as the major global economic and trade power and is currently the world's second largest economy, as the largest merchandise exporter, and second largest merchandise importer. It is currently the largest manufacture and second largest FDI destination. More important to any economy, it the largest holder of foreign exchange reserves at around US$ 3 trillion.

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[245] Kapur, (1987:2) cited in Li Xing (2008), "Understanding China's Transformations: The Dialectical Nexus between Internalities and Externalities". Paper Presented at The Rise of China and Its Impact on the Existing Capitalist World System, Aalborg, Denmark.
[246]Li Xing (2008), "Understanding China's Transformations: The Dialectical Nexus between Internalities and Externalities". Paper Presented at The Rise of China and Its Impact on the Existing Capitalist World System, Aalborg, Denmark.
[247] Brandt, L., and Rawski, T, G., (2008:6). China's Great Economic Transformation. New York: Cambridge University Press

In terms of economic performance, China overtook Germany to become the world's leading exporter in 2009. It is the third largest market for US exports globally. It has around US$ 5 trillion economy, with around US$ 3 in reserves. It is currently the 2nd largest economy on the basis of GDP. USA does not view China as democratic but continues to good business with it: China being biggest US treasury debtor.

Yet its model is not the market economy as we know it – bases on the 'forces of demand and supply' to determine what will be produced and sold. The model of free market is not yet fully operational in China. China has more state owned enterprises doing business at home and competing with Chinese private enterprises abroad in Africa and in Latin America. While the global financial crisis and recession (are they global or US and Europe crises?) poked holes in the capitalist model of 'perfect competition', the unipolar system is based on the capitalist ideology. Communism is gone. Socialism is gone. Only the capitalist ideology rules today. It has to be defended at all costs. So china is viewed as likely to lure African economies towards a 'Chinese economic model' which is a mixture of socialism and market economy. Yes; Africa countries have practiced this type of model before. Some feel that privatization was bad business for government. Corruption made privatization look worse. The money that came out of sales of state owned enterprises was 'eaten' by corrupt government officials. So the public still supports government involvement in running some enterprises. The citizens argue that instead of wasting money buying 'big' vehicles for political heads; it should be used to provide basic necessities at cheap prices (subsidized) and sold by state enterprises.

The Chinese model may begin to be debated and compared with the market model and ultimately public demands may begin to influence public policy. It is not usual that the public may influence the government to change policies but a debate is the beginning of a mature approach to address public concerns.

There is also China's relationship to North Korea. This finds US getting uncomfortable about the role of the emerging country about the nuclear diplomacy in that region. China and North Korea, USA and South Korea relationships have a history of the cold war. China and North Korea were on the side of the Soviet Union against the Western Bloc. North Korea still remains one of those states that USA continues to spy on and get ready to fight within the waters of both Koreas. North Korea is said to possess nuclear weapons and nuclear technology. Fourth is China's investment and trade interest in Africa. It is interested in investing its reserves somewhere. China, like Europe, USA, Japan, and other Asian countries, is interested in Africa's minerals. Africa is a growing market, especially for cheap toys and electronics from china. Japanese electronics are quality and thus expensive. Africa is still the place where quality and standards requirements are not as stringent as elsewhere. So this market, however the size is of interest to China. Some of the FDI will be in mining and therefore vital for energy purposes for the Chinese economy. China is the second biggest consumer of energy globally, at 9per cent in 2011. USA is number one.

Chinese FDI flows: Chinese FDI outflow stock was at US$ 299 billion in 2010 (almost the same for Singapore at US$ 300 billion). This is a big rise from US$ 28 billion in 2000. In fact an over 10 times increase[248]. In 2011, China's total FDI reached US$ 74.6 Billion; and FDI outflow stock of US$ 428.8 billion in 2011[249]; with Asia as the main destination of OFDI at 60 per cent and Latin America as the second destination at US$12 billion[250].

African countries are not the main direction of the Chinese FDI. Outside of Asia, Latin America is the main destination. In 2010, China through *Chinalco*[251], bought a mountain in Peru equivalent to half the size of the Himalayas in the quest for copper. This is a huge investment in Latin America. Such projects make this part of the world China's second OFDI destinations. According to Bloomberg Business Week, the peak was bought at US$ 810 million yet it is worth US$ 50 billion[252]. China has a bigger plan in the mineral sector in Peru; at US$ 11 billion planned FDI[253]. It has invested Ecuador in Condor plateau and forests for gold. In 2011, the president of Ecuador Correa signed the nation's first large-scale mining contract, under which Chinese-owned Ecuadorriente is due to invest $1.4 billion in the El Mirador copper project[254].

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[248] Ken Davies, "Outward FDI from China and its policy context", 2012 Columbia FDI Profiles, Country profiles of inward and outward foreign direct investment issued by the Vale Columbia Center on Sustainable International Investment.

[249] See http://www.tusiad.org/__rsc/shared/file/ChinaBusinessInsight-February-2013.pdf (accessed on 1/7/14)

[250] Banco Bilbao Vizcaya Argentaria, S.A ("BBVA") (2013), "Economic Watch, China: Trends in Lending and Outward Foreign Direct Investment from China into Latin America", Economic Analysis, Hong Kong, August 16, 2013

[251] This is a state own enterprise –national owned corporation of China (NOC).

[252] Bloomberg says that is "a US$50 billion deposit of ore underneath the 103-year-old mining town in Peru".

[253] The project is part of US$11 billion in Chinese mining investments planned for Peru, a quarter of the country's total, according to Fernando Gala, the Peruvian vice minister of mines. (Source:http://www.businessweek.com/stories/2010-11-01/china-boss-in-peru-on-50-billion-peak-bought-for-810-millionbusinessweek-business-news-stock-market-and-financial-advice (accessed on 11/9/13)

[254] Ecuador Congress OKs law to ease mining investment terms, Thu Jun 13, 2013 (Source: http://www.reuters.com/article/2013/06/13/ecuador-mining-idUSL2N0EP1BJ20130613 (accessed on 11/9/13))

China – Africa Trade and Investment relations

The rise of China, with a system of regime hand-over based on the generational approach, and with an economic system claimed to be Chinese Socialist Market Economy, and interested in natural resources, poses both challenges and new possibilities to Africa. First let us look at democracy. China cannot be regarded to practice western style democracy. The west says that it is very poor at observing human rights[255]. The west sees china as likely to export its brand of politics to Africa. This is not good for Africa, according to the west. Africa's record is already not good.

Africa is also not Chinese main trading partner. The main trading partners ranked in order are the EU, USA, Japan, ASEAN, Hong Kong, South Korea, and Taiwan[256]. However, it is in Africa building bridges, roads, and electricity. Since 2006, it has established a forum where China– Africa trade and economic cooperation issues are discussed (under the FOCAC). It usually a high level forum bringing heads of state and government together with Chinese officials.

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Ecuador Congress OKs law to ease mining investment terms, Thu Jun 13, 2013 (http://www.reuters.com/article/2013/06/13/ecuador-mining-idUSL2N0EP1BJ20130613 (accessed on 11/9/13))

Freemantle, S., and Stevens, J., (2013), "BRICS trade is flourishing, and Africa remains a pivot", Africa Macro EM10 & Africa, Standard Bank.

[255] Every year, the western human rights NGOs put china's record as a poor observer of human rights. The reports continue to write that Chinese jails are full of dissenters of the regime.

[256] Wayne M. Morrison, "China's Economic Conditions", Congressional Research Service, June 26, 2012

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Chinese and African politico-economic system: Differences and similarities

China and African countries, all of them developing countries, have both a lot of similarities politically and economically.

The differences

There are some few differences between China and African countries in SSA region. First is the culture and languages spoken and uniting the majority Chinese. Except for Tibet and the Dai Lama request for independence, Chinese have had a sense of unity and a common culture with their two main languages of Cantonese and Mandarin. They have a sense of the nation and nationalism of China. In some countries like Uganda, you have slightly more than 50 ethnic groups and communities. These speak different languages and dialects that they even do not have one agreed. This can pose challenges with regard to organizing the communities for development. Language may be viewed as a unifier aspect. Let us immediately make a disclaimer here: Rwanda has got only one language with very minor dialect differences but it experienced genocide in 1994. Leadership matters. We should insist.

Second is socialism. The ideology of socialism has been with the Chinese much longer than the African countries. Socialism as an ideology became a unity pole for the Chinese during their periods of poverty. Land belonged to the government and people had to respect the land owner. The owner of the land on which they derived their livelihood was also the promoter of the ideology of socialism.

There is emerging analysis that the traditional African communities were socialistic in orientation; though they did not know of socialism until around independence period. Later at independence most African leaders preferred socialism to capitalism, arguing that African communities were socially oriented: working in farms as groups, building houses as a group, feasting together as a group and solving family problems as a group[257].

There is another argument why Africans allegedly after independence embraced single party and socialism. They claimed that multi-party politics was foreign to Africa and was an unnatural imposition by the former colonial powers (Hanna 1964)[258]. There was hardly any democratic election during the colonial period. There were no formal elections during the feudal periods and kingdoms. The colonialist seems to have allowed and brought democracy to Africa as they left. Writing in 2004, and citing other sources, Golder and Wantchekon

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[257] Twineyo Kamugisha (2012:25). Why Africa fails. Cape Town: Tafelberg.

[258] See Golder, M., and Wantchekon, L, (2004) "Africa: Dictatorial and Democratic Electoral Systems since 1946". Forthcoming in: Colomer, J, (eds.) 2004: Handbook of Electoral System Design. London: Palgrave.

(2004) put it that electoral experience on the part of Africans was largely absent during the colonial period.

The few notable exceptions tended to be found in francophone Africa, where the ideology of cultural assimilation occasionally permitted African electoral participation. For example, French colonial settlements in four Senegalese communes were allowed to vote for a deputy in the French National Assembly after 1848. However, it was only in the final years of colonialism following World War II that African electoral participation became more widespread as the French and British attempted to mollify emerging nationalist movements. Research shows that the British began to establish new parliamentary systems which eventual would form the basis of independence. On the other side the French ordinances of 1945 established electoral colleges under which Africans then elected representatives to the Constituent Assembly in order to participate in the 4th Republic's constitution.

This step was later followed by the introduction of universal suffrage and allowed a greater extent of internal autonomy in the French colonies in the Francophone Africa. The first African elections based on universal suffrage and unrestricted party formations were held in the late 1950s just before the formal date of independence for most countries[259].

The saving rate: Economic reforms in China, which included the decentralization of economic production, led to substantial growth in Chinese household savings as well as corporate savings. As a result, China's gross savings as a percentage of GDP has risen steadily reaching 53 per cent in 2008 (compared to a U.S. rate of 9 per cent), and is among the highest savings rates in the world. China's savings rate peaked in 2008 (but has fallen slightly in recent years). It was 49.3 per cent in 2012, while the U.S rate was almost a quarter of China's saving rate at 10 per cent [260]. African countries have low savings and corporate savings. For most Asian countries, savings form about 20 per cent of one's income. It is less than 5 per cent in Africa. Based on the average savings rate in Africa, it is obvious that a poor savings culture has negatively affected the economic performance of some African countries[261].

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[259]See Golder, M., and Wantchekon, L, (2004) "Africa: Dictatorial and Democratic Electoral Systems since 1946". Forthcoming in: Colomer, J, (eds.) 2004: Handbook of Electoral System Design. London: Palgrave.

[260] Morrison, W, M., (2013, p.5). "China's Economic Rise: History, Trends, Challenges, and Implications for the United States", Congressional Research Service, CRS Report for Congress, Prepared for Members and Committees of Congress

[261] See Twineyo-Kamugisha (2012:40). Why Africa fails. Cape Town: Tafelberg.

Generational regime change of the CCP: Every 10 years, the CCP which is the ruling party changes the top office bearers including the president and the prime minister. *How and who chooses the leaders?* Each generation has likely different ideals, beliefs, and goals. Based on the view that globalization and studying abroad in Europe and the US of the Chinese people and the leadership, it is hoped that there are been learning and copying of the western aspects of politics and economics. The change in the regime per 10 year generation is likely to result in more improvements in leadership, and foreign relations. It is also likely to boost economic growth. Meanwhile the African countries

The similarities: Are African governments pursuing china-style policies and methods?

Developing countries: Both parts of the world are classified by UN and World Bank developing countries. China like African countries is developing countries. While it has achieved rapid growth over the last three decades, it still has a lot of poor people still dependent on peasant agriculture.

Use regime cadres in government and private sector

We want to state categorically that both China and the African countries have got regime cadres. Regime cadres are associated with military regimes, one-man controlled governments, and primitive societies where kings spied on all and had 'Kingsmen' to use Doornbos' terminology. So not all are kingmens and therefore cadres are important to the regime. Cadres are actually more important than other people and are answerable to the party in the case of China and to the 'leader' in the case of African countries.

According to Shih et al, (2012), in china, during his reign, Mao focused on ensuring the survival of the CCP regime according to his vision. Thus, he promoted cadres who shared or at least were willing to go along with his radical vision of society. During the rule of Museveni in Uganda, cadres are promoted to enhance his vision. His vision has been stated as including boost economic growth in Uganda, and promoting Pan-Africanism.

Cadres perform on both soft and hard targets for the regime. The soft targets are important to the regime in order for it to achieve growth and stay in power. These soft targets include recruiting party membership including buying the position, propaganda work in mass media and every meeting that talks about the regime. Propaganda work includes specialized information gathering for the regime's intelligence. Hard target are those that the regime will rated on by the people and development partners who support the regime including economic growth, fiscal collection, and maintaining both economic and political stability[262].In China, Mao regime emphasized achieving hard targets such as GDP growth through cadre system incentives[263].

Cadres where they exit are in a privileged position. Even in rural china cadres also in a better position. According to Zhang et al (2012)[264], returns to cadre status are derived both from direct compensation and subsidies for cadres and indirectly through returns earned in off-farm employment from businesses and economic activities managed by villages.

In developed and liberal democracies such as the US or Germany or the UK, there is no longer such a word as regime cadres. There are party members at different levels with some serving at local councils, and others in the legislature. It is expected that all the party members love and believe in the agenda of their party. There are those who commit to working entirely for the party and have jobs in the secretariat and office branches of the party. But they are not more important than other members.

The regime in china has got over 1.5 million cadres employed in both the government and the private sector. African countries combined have more than China's cadres. In Africa, they have day jobs but are also paid other salaries for their services to the regime. So they are employed says spies and informers. Some who are even not employed as such but are close to the power by way of their ethnicity feel they are more powerful than others. They allocate themselves the titles and pose as government agents. Existence of regime cadres and their 'mannerisms' has happened in Africa since independence in countries including Zaire under Mobuto, Libya under Gaddaffi, Zimbabwe under Mugabe, Kenya under Daniel Arap Moi, Uganda under several regimes since 1973, and Rwanda since 1980s, Sudan since 1980s.

There are several reasons why we have to look at cadres with regard to democracy or autocracy and economic growth. The cadres pose unfair access for jobs and private sector government incentive frameworks. Unfairness and employment without merit and support to

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[262] The post-Mao leadership formalized a system of scoring junior and senior cadres, which served to keep track of their administrative performance on a series of "soft" and "hard" targets. (see Shih, V., Adolf, C., and Liu, M., (2012, p.167) "Getting Ahead in the Communist Party: Explaining the Advancement of Central Committee Members in China", American Political Science Review Vol. 106, No. 1 February 2012

[263] Heilmann, S., and Perry, J, E., (2013), "Embracing Uncertainty: Guerilla Policy Style and Adaptive Governance in China" Research Group on Political Economy of China, China Analysis 103, (as Published in Mao's Invisible Hand: The Political Foundations of Adaptive Governance in China: Harvard University Press 2011, 1-29)

[264] Zhang, J., Giles, J., and Rozelle, S., (2012). "Does It Pay to Be a Cadre? Estimating the Returns to Being a Local Official in Rural China", Institute for the Study of Labor, Discussion Paper No. 6653, June 2012

select local investor who are cadres means that those 'who don't belong' to the right side of the regime suffer lack of income and poverty. Some end up in self-imposed economic exiles and begin to tarnish the name of the regime. The removal of Gaddaffi had to do more with Libyan diaspora in western capitals. They soiled the man's name. Whether he had a good or bad name or not the removal of the man was masterminded from abroad and fully supported by NATO.

Other countries were mixed economies pursing both capitalist and socialist ideologies. With the collapse of the Soviet Union, there was a problem of changing from socialist to capitalist systems. Some are still in the system that we can currently refer to as 'China socialist market' systems. In fact there are still a lot of elements in African countries that are similar to China's economic and political arrangement. For example, presidents still decide who will become chief executive of not only the state agencies but also for the private sector enterprises. If a private enterprise is always receiving favours from the state, how will it refuse the government hand? They have to accept cadres of the regime so that they have someone to 'talk for them' up there. Always there's someone above to assist them.

In Uganda, there continues to be heard some claims that employment in key government positions is based on 'who is she or he?' or 'who brought her or him?' in Uganda, there was a time (has it gone?) in the 1990s when young graduates claimed that to get good jobs in government you would be asked locally that 'Walwana?', 'Okarwana?', 'Watela embundu'? All meaning that 'did you fight?'. So jobs would be allocated (forget the symbolic interviews in some of Africa) not the basis of quality of qualifications and competence but on the basis of your or you relatives contribution during the war. This was economic discrimination. Individuals do consciously discriminate[265]. At times there is unconscious discrimination[266]: a group no longer sees that denying the jobs to the qualified and competent giving them to only your group is the right thing to do. The result of discrimination is to reduce incentives

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[265] Muhumuza, F., (2012:1), "Why Africa Fails: The Case for Growth before Democracy", *Keynote Address (source:* *http://www.twineyo.com/sites/www.twineyo.com/files/Why%20Africa%20Fails%20keynote%20speach.pdf* (accessed on 12/31/13)).

[266] Muhumuza, F., (2012:1), "Why Africa Fails: The Case for Growth before Democracy", *Keynote Address (source:* *http://www.twineyo.com/sites/www.twineyo.com/files/Why%20Africa%20Fails%20keynote%20speach.pdf* (accessed on 12/31/13)).

of the members of the discriminated group to make the investments that would lead to higher productivity[267].

We understood this. It a few years after the National Resistance Movement (NRM) rebels had captured power. They were integrating in the economy and politics. Not all were kingsmen. The history of empires and kingdoms shows that the victors enjoyed and the others mainly the losers lost everything including their herds, and wives.

Cadres are deployed to all offices in government ministries, department and agencies. They are also deployed in the private sector companies. Since most of the local private sector in an emerging country is linked to the government or regime in power personalities, the government offices and the private sector are just subordinate to the regime. The private sector relies on government contracts which are unfairly awarded to them. They also get money from the government to boost their investments under the usual statements that 'we as government are supporting the local investors/entrepreneurs to create employment'. There are allegations by the media, opposition and academia that the money extended unfairly to the regime lining businesses is for future campaigns funding. While this may hold some water, there is not yet any empirical study to confirm this. So this issue will continue to be referred to as an allegation.

What is true though is that most African countries that support some local investors do so without a streamlined approach and investment code showing how local investors are supposed to apply for government funds and support. In some countries, the presidents have themselves written letters of recommendation to the central bank, ministries of finance, and trade supporting the application of individual local investors. As we should note, these local investors are also members of top party decision making unit.

Most cadres and the children of the regime are mainly employed and deployed in the sectors of banking, telecoms, and big retail outlets; with the 'unending rumours' that these investments are actually belong to the most influential in power. So they can deploy whoever they want to employ in them. There is the other unending allegation that most state owned enterprises were sold to the privatizers - the government politicians - themselves.

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267 Muhumuza, F., (2012:1), "Why Africa Fails: The Case for Growth before Democracy", *Keynote Address (source: http://www.twineyo.com/sites/www.twineyo.com/files/Why%20Africa%20Fails%20keynote%20speach.pdf* (accessed on 12/31/13)).

A similar situation can be observed in China. According to ten Brink (2012:12-13)[268], "red capitalists" (read CCP cadres) benefitted from 'corporatization' and, later, privatization. The corporatization and privatization of mostly small and medium–sized state owned enterprises (SOEs) a key contributor to the growth of the private sector after the mid-1990s, that is, between 1998 and 2006. During this period, the number of SOEs shrunk from 238,000 to 119,000. He further asserts that this was especially important in introducing a legalized process for privatizing state owned firms (*gaizhi*) whereby managers could acquire their firms at a price based on recent profitability. The cases of "management buyouts" show that in many instances, CPC cadres took on the role of "red capitalists". It can be noted that even prior to the legalization of private property and even though CCP [CPC] members were not allowed to operate private businesses, throughout the 1980s and 1990s there were many active participants in the non-state sector.

There is another similarity between China some African countries. There is a relationship between the regime cadres and the private sector ownership in both of these countries. Again, ten Brink (2012), states that official surveys reveal an increasing proportion of self-identified CCP members among private entrepreneurs over time, such that only 7 per cent of business owners admitted to being Party members (read cadres) in 1991, but by 2003 over one-third admitted to being [P]arty members(read cadres)(ten Brink 2012:12-13).

Dickson (2007:839-840) documents that the larger sales revenue of firm, more likely that their owner is a party member of ruling party. Often the owners of largest firms are most likely to be involved in the political arena. Indeed most of them are more likely to support the existing political system regardless of regime type (democratic or autocratic). Their interest is in profit and so there is no need to jeopardize this motive by challenging the system. Dickson documents that this is a key element of the CCP's strategy for survival and that so far it is working[269]. We observe a similar situation in Uganda currently, in Kenya under Moi, and Zimbabwe. In Uganda, the 'big boys' in the private sector are chairs of and members on boards of the most powerful state firms and agencies. They are powerful and support the current regime in power. They run both their private firms and the state ones by their virtue of being on the boards. They appoint or disappoint the executives of both their private and

[268]ten Brink, R., (2012), "Perspectives on the Development of the Private Business Sector in China, China: An International Journal, Volume 10, Number 3, December 2012, pp. 1-19, Published by NUS Press Pte Ltd
[269] Dickson, B.J., (2007:852), "Integrating Wealth and Power in China: The Communist Party's Embrace of the Private Sector", The China Quarterly, 192, December 2007, pp.827 - 854

state firms and agencies. They own shares in every new green field investment because they are connected. They know who, which and when FDI are going to the country.

Most FDI, because of their view about the business and politics in African countries, always look for the 'local hand' before moving in with capital and technology. The 'big boys' can take them to the top leadership in the land. They are assured of protection not only the existing laws but by the top leadership personally. Have the Chinese learnt from Africa or vice versa? May be both learnt from the old and gone communist system where all the people depended on the state and leadership. May be Chinese way of doing things politically and economically has inspired the African politicians.

In Zimbabwe, there have been allegations that when land was taken away from the white farmers and back to give to the blacks, there is a lot of politics. The land is being applied for but mainly going to those who fought and their relatives, and generally those that belong to the ruling Mugabe party, ZANPF. Some recent limited key informant interviews (by end of December 2012) show that even powerful members of the trade unions who applied have not been given.

Let us make a quick disclaimer about land issues and the politics in Zimbabwe. The issue of land is totally linked more to politics than economics and business in agriculture. The issue of land is of course sensitive in most African countries including in Uganda, Nigeria, South Africa, Kenya, and Zimbabwe. But it requires a long lasting solution with an enabling policies and law on land utilization and ownership.

Again, Dickson (2007:2003) again documents that other private sector owners are co-opted. He mentions that those co-opted to the party and regime state their reasons in the survey for joining as 'economic advantages' and 'connection to the top sphere'

In Africa, within the same party and regime, there can be intrigue and mudslinging. There are claims that some individuals who have no chance of reaching the highest of office(s) in these lands are prevented from getting jobs in public agencies and government. As we wrote in *Why Africa Fails*, no one can get a big job in the agencies and government, and the private sector in African SSA without a scrutiny of your security file. This is not a public file. You don't even know that such a file exits. It is secret meaning that it is the regime spies and cadres who know about most others. Due to the scarcity of these high profile jobs in Africa, there is stiff competition for them. The government directly appoints office bearers. The regime is not stupid. So it conducts interviews.

Interviews are supposed to be fair and the interviewee can't be availed their performance. The results of the exercise are presented to the client. The next stage is that the new office bearers are appointed. The public will applaud the integrity of these government agencies not knowing that the losers took office instead of the winners. The kingsmen manning the spy agencies will falsify the report to show that you are not to be trusted. That you are too independent or that you support opposition. Valid reasons for not taking up a job in my regime. I cannot fund my opponent. In some places, it is claimed that even-if you 'good' but had a relative that has 'fallen of the swing' with the top leader, you are not to be trusted. Such is the kind of leadership in Africa. The bright take up jobs in foreign embassies based here. Others go abroad. While abroad they are engaged in several jobs and occupations some referred to as '*kyeyo*' in Uganda (meaning cleaning in ground or flows). *Kyeyo* is a derogatory word and demeaning those run abroad (I have to admit that not all who run abroad are running away from the regime). Yet they bring remittance. In Africa remittance are playing a capital solution to financing investments. The discussion the role of remittances is covered in this book.

Mixed economy: According to Nankani (2012), with regard to politico-economic arrangements in Africa today, there is co-existence of two prototypes – liberal capitalism and partially liberal capitalism. The liberal capitalist group includes countries such as Ghana, Senegal, Kenya, and Zambia while the partially liberal capitalists include Burkina Faso, Ethiopia, Tanzania, Uganda, Rwanda, and Mozambique (Nankani 2012:220).

China is supposed to be a socialist state. Traditional socialism is based on the three pillars of "income distribution in accordance with labor," "resource allocation based on planning" and "public ownership centering on state-owned enterprises." This runs counter to the characteristics of capitalism, which are "income distribution in accordance with production factors such as capital," "resource allocation based on market principles" and "private ownership" (Hung 2006)[270]. As already said since 1978, China undertook reforms that have seen the country reform to the market economy under a socialist political system. There are aspects of the market where forces of demand and supply determine how much will be bought or sold. There are also state owned enterprises doing business and competing with private enterprises.

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[270]Source: Kwan Chi Hung (2006) "China's Economy Today and the Challenges It Faces in Shifting to Capitalism"
http://www.nids.go.jp/english/event/symposium/pdf/2006/e2006_06.pdf (accessed on 01/03/14)

For a long time, African economies and revolutions (in hatred for colonization and imperialism) pursued a communist or socialist agenda. Even the so called non-allied African states had tends to the Eastern bloc of that time. After the collapse of the Soviet Union in 1991 during the leadership of Gobarchev, there remained the western bloc and for the moment until the global financial crisis of 2007/8, what the West stood capitalism ruled. We can say that currently the pressures for government support for the private sector is high.

After the crisis, US government supported its important private enterprises so that they don't collapse. African countries have tended to be mixed economies and dual economies or mixed economies. We describe a mixed economy as an economic system that includes a mixture of capitalism and socialism. This type of economic system includes a combination of private economic freedom and centralized economic planning and government regulation[271]. Dual economies have asymmetric sectors, the interaction between which influences the path of development[272]. These are typically a rural, traditional, or agricultural sector on one hand, and an urban, modern, or industrial sector on the other. The relevant asymmetries are not merely technological but also include institutional, behavioural, and informational aspects[273]. With the liberalization and privatization of the 1990s, most African countries embraced economic liberalization; they opened up. But still, they have to date state owned enterprises and some are planning to establish new state enterprises.

Hold on the media: China like African countries views the media as important for propaganda or exposing the 'nakedness' of the regime. A hostile media or one that is controlled and used by the opposition and those in the west who always push the agenda of change can be huge challenge for regimes in underdeveloped societies. It is against this background that China and the African countries seek to control or edit the news that go out to the public. They therefore own and employ cadres in these media houses. The most so-called national newspapers and other media like the TV stations are controlled by the regime in power in

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[271] Source: http://www.investopedia.com/terms/m/mixed-economic-system.asp (accessed on 01/03/14)
[272] Vines, David and Andrew Zeitlin "dual economies." The New Palgrave Dictionary of Economics. Second Edition; Eds. Steven N. Durlauf and Lawrence E. Blume: Palgrave Macmillan, 2008. The New Palgrave Dictionary of Economics Online. Palgrave Macmillan. <http://www.dictionaryofeconomics.com/article?id=pde2008_D000195> doi:10.1057/9780230226203.0409 (accessed on 03 January 2014)
[273] Vines, David and Andrew Zeitlin, "dual economies;" The New Palgrave Dictionary of Economics: Second Edition. Eds. Steven N. Durlauf and Lawrence E. Blume. Palgrave Macmillan, 2008. The New Palgrave Dictionary of Economics Online. Palgrave Macmillan. <http://www.dictionaryofeconomics.com/article?id=pde2008_D000195> doi:10.1057/9780230226203.0409 (accessed on 03 January 2014)

most of Africa. Where they privatized it, they sold to themselves (the regime buddies). The few media outlets that are purely private tend to be 'censored' if they have to operate in these countries. We can say that in most cases in these countries, there is purely independent media. The government–oriented are like mouthpieces of the regimes while the private ones take the form of opposition propelling. Indeed, the private media houses are often branded opposition supporters by the government owned media house and the government.

Our role was to say that in China and in Africa the government has a big hold on the media.

Approach to government and party monopoly of government: We need to mention that most political parties in Africa have been in control of the government for decades. This is not to say it is a bad thing. It is a comparison. In Canada for example until late 200s, the liberals had control the office of the prime minister and government for around 15 years. It has happened in UK and USA before. In Libya before the ouster of Gaddafi, the Green Revolution had been power for 42 years (1969–2011). In Botswana, the Botswana Democratic Party (BDP) has been in government since independence. We have to say that Botswana (a landlocked country) is one 'growth miracle' in Africa. Zimbabwe has had long stay of the Mugabe party.

Uganda is also mostly likely to have the NRM party rule longer beyond 2021. We are not here discussing the method of how these parties in these countries in Africa get the power. That has been covered under the part of elections in Africa. In China, one party (the Chinese Communist Party) has been in power for ages. It has a system which is different from that one of elections. There is generational regime change within the CCP. Every ten years the party selects its new leaders in most cases the sons of the revolutionaries and those akin to them.

Opposition in Africa is taken as outright enemies to be fought. Prominent elders in Uganda and other parts of Africa[274] have advised those in positions of leadership, temporal, spiritual, business, etc not to treat those with opposing views as enemies to be fought. Instead, opponents or those vying for the post, position or office you hold, or those challenging your ideas or thoughts, however brilliant they may be, are not necessarily your enemies to be

[274] Amanya Mushega (formerly, Executive Secretary of the East African Community, and longtime minister in Uganda under the Museveni)

fought, disorganised or chastised or derided. They are worthy people to take on, listen to, win over or create room for a continuous dialogue[275].

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[275]Amanya Mushega, former EAC Secretary General, also a fellow freedom fighters and member of the NRM. Speaking at the burial of former 1st Deputy Prime Minister of Uganda (Eriya Kategaya), stated: *(See "Kategaya may not have been very rich but he lived a rich life"* By Amanya Mushega. source: http://www.monitor.co.ug/OpEd/Commentary/Kategaya-may-not-have-been-very-rich-but-he-lived-a-rich-life/-/689364/1720352/-/74o3xk/-/index.html (accessed on 1/6/14)

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ADDRESSING INTERNAL AND EXTERNAL CAUSES

According to the World Bank (1993) talking about the East Asian Miracle, Tim Kelsall (2013), Twineyo-Kamugisha (2012), and others have found out that it is a good mix of both government intervention and private sector operations that will result in the rapid growth and the structural change of developing countries. Let us look at how to address the African growth question here. The author will continue to support government efforts to propel growth in a private sector-led economy for African economies to achieve a structural change, and rapid growth. I have stated this in Why Africa fails and I am beginning to see others (including Tim Kelsall, 2013[276]) follow my route. Learning from the East Asian success story – including recently china, we can continue to argue that the government has and can play an important role in boosting growth through selective interventions (as I have stated in this book) to correct market failures and their effects. As we see in this book, and the follow the story of the economic success of East Asian economies, staying long in power and neo-patrimonial governance are not always obstacles to business success and improved economic conditions[277].

Role of government/state in economic transformation

Due to market failures in an undeveloped societies that have embraced trade liberalization, privatized state enterprises, but lack developed institutions (and some if not most can still be described as autocratic), with low levels of resource mobilization, and dependent on donations, we propose that government still has a role in organizing resources for both public and private sector. The government, apart from creating an enabling environment, which we look at, will need to engage and support the development of key public infrastructure but also invest in key sectors where the private sector shies away from (undertaking the construction of modern railways to reduce costs of transporting exports to the international waters and borders). In this case, the government may undertake such investments wholly or partner with the private sector (under public–private partnerships). Politics too matters a lot. So is the character and commitment of individual leaders of African countries.

This issue has covered the different roles of government, private sector, and development partners (a new term for 'donors'). We want to summarize the key issues that each government in Africa has to consider carefully.

i) It is the role of government to mobilize public resources, set up institutions and regulate the activities in the economy, marshal the political will to fight corruption and nepotism (good recipes for internal conflicts), shop for FDI, assure the private sector of enabling environment including ensuring peace and stability, and protection of property rights, partner with the private sector under public–private partnerships for big and strategic projects, meaningfully commit to regional initiatives, and establish mutual relations with development partners, and above all show commitment to

[276] Kelsall, T.,(2013). Business, Politics and the State in Africa: *Challenging the Orthodoxies on growth and transformation*. London: Zed Publishers

[277] See Twineyo- Kamugisha, E., (2012). Why Africa Fails: The case for Growth before Democracy (Cape Town: Tafelberg, 2012); and Kelsall, T., (2013). Business, Politics and the State in Africa: *Challenging the Orthodoxies on growth and transformation*. London: Zed Publishers

democracy and to the markets. To achieve the above, the state will undertake the following:

ii) Create an enabling environment for business that ensures predictability and transparency for both domestic and foreign investors.

iii) Regulation: government has to undertake this role as part of creating an enabling environment for business. This includes setting up institutions and policies covered later. Businesses are profit-motivated which is right. That is why they set up the businesses. Perhaps the most important of the assumptions that make up the theory of the firm is the assumption that firms maximize profits (and minimize costs) by setting output where marginal costs equal marginal revenue. (Anderson and Ross 2005:31)[278]**.** The same argument is from Pindyck and Rubinfeld (2013): Firms that do not come close to maximizing profit are not likely to survive. Firms that do survive in competitive industries make long–run profit maximization one of their highest priorities. (Pindyck and Rubinfeld 2013:282)[279]. As Friedman (1970) puts it, in a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business and has responsibility to the owner, which is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to their basic rules of the society, both those embodied in law and those embodied in ethical custom. (Friedman 1970:1)[280]. Friedman (1970) has discussed the theory of stockholders (or shareholders as it commonly known). A business manager is obliged to maximally serve the interests of the shareholders of the business, so long as she does not break the law or coerce, deceive, cheat or kill while doing so. However, as Stiglitz writes it, and this justifies role of government regulation, the focus of businesspeople is, of course, not to enhance societal well-being broadly understood, or even to make markets work for them, make them more profitable (Stiglitz 2012:34). It is therefore the role of government to regulate the activities in the economy.

iv) Reduce the size non-value adding part of government: the political appointees that serve no purpose other being part of the client–patron relationship; and the size of parliament as legislature must be considered. Making laws and oversight of government activities does not require big numbers but instead big brains. Civil or

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278 Anderson, W, L., and Ross, R, L., 2005. "The Methodology of Profit Maximization: An Austrian Alternative", The Quarterly Journal of Austrian Economics Vol. 8, No. 4 (Winter 2005): 31–44

279 Pindyck, S.R., and Rubinfeld, L.D., (2013). Microeconomics. 8/E, International Edition. Pearson Education.

280 Friedman, M., 1970: "The Social Responsibility of Business is to Increase its Profits" The New York Times Magazine

public servants have to be required depending on the work at hand (their terms and conditions of service including contract duration and pay have to be carefully rethought).

v) It matters for every person in the economy to work for and in the market. Trade matters more than donation and should therefore be aggressively promoted and supported. Government has to create awareness about the need to participate in the market. Have something to sell in the market.

vi) The financial sector re-organization matters to investment, production and trade. The government has to consider strategically supporting gradual 'non-predatory' financial sector that promotes the key sector that drives a particular economy.

vii) Regional integration is important for expanding the size of the market, regional infrastructure that can reduce transport costs for exports and imports of landlocked countries, and for countries stability and peace[281].

Full liberal democracy and sustained economic growth

Does it take a country longer to become a fully liberalized democracy than achieve sustained economic growth? We need to look at whether it takes longer to reach a fully liberalized democracy than achieving sustained rapid economic growth. We will use UK, USA, and China as examples to analyze this.

Developmental state and Africa's present level of growth

Is Africa currently in the developmental stage? Is it on its way to economic success and ultimately development and liberal democracy?

Let us start with the two views of Thomas Hobbes (1651) and Rothbard (1973). Thomas Hobbes described life without government as 'nasty, brutish, and short' and went further to that the law and order provided by the government was a necessary component of civilized life. On the other hand, Rothbard (1973) argues that the private sector could effectively undertake all of the functions usually done by government.

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[281] We can note that the African group countries under IGAD regional organization met in Kenya and advised the opposing forces in South Sudan to cease fire, and negotiate or else they will enter the country and stop the 'rebelling' former Vice President who wants to topple the elected government. This is a good regional effort at maintaining peace and stability in these countries. IGAD member states include Uganda, Kenya, Sudan, South Sudan, Ethiopia, Somalia and Djibouti. "We gave Riek Machar four days to respond (to the ceasefire offer) and if he doesn't we shall have to go for him, all of us. That is what we agreed in Nairobi," President Museveni of Uganda told reporters in Juba on Tuesday 31 December 2013.(source: http://www.monitor.co.ug/News/National/I-will-come-for-you---Museveni-warns-Machar/-/688334/2129754/-/qri656/-/index.html (accessed on 12/31/13)

The view that the state should play a leading role in the economic development of developing countries was central to development economics up and until late 1970s. The 'Big Push' theory of industrialization (which was put forward by Paul Rosenstein-Rodan 1943 and Tibor Scitovsky 1954) gave a crucial role to the state - as a coordinator of complementary investment decisions in the developmental process. Alexander Gerschenkron (1966), constructed his theory of late development around the rising need for state involvement in industrial financing that is supposed to arise from the continuous increase in the minimum efficient scale of production owing to the nature of the modern technical progress. His central argument is that late industrialization requires heavy capital investments and that in order to obtain such capital, countries such as France, Germany, and Russia were prompted to generate new institutional mechanisms for generating savings.

Absence of such a nationalistic developmental state as found in the early development of capitalist Europe or Japan – Meiji Japan was identified as the major cause for the underdevelopment of several poor countries[282]. It should be note that the idea of centrality of the state in economic development was not invented by the early development economics of the 1950s and or the 1960s. There had been a similar view of the role of the state that had been put forward by the German historical school represented by Friedrich List. Friedrich List had been influenced by the American economists of the 18th century including Alexander Hamilton. Some others trace these ideas on the role of the state and economic development far back to the 16th century mainly to England and Venice (now in Italy)[283].

Richard A. Musgrave[284] widely regarded as the founder of modern public finance and an adviser on fiscal policy and taxation to governments from Washington to Bogota to Tokyo[285] sees the state playing a vital looked at the role of the state in three parts: stabilization; distribution; and allocation. He also considers public goods which have to be provided by the state partly because of the existence of negative externalities and market failure. According to Musgrave[286], the government has three economic functions, which include stabilization, distribution and allocation. The first two functions are usually beyond the control of the state

[282] See Paul Baran (1957), "The Political Economy of Growth", Monthly Review Press, New York
[283] Chang Ha-Joon (1999), "*The Economic Theory of the Developmental State*", in Woo-Cummings, M., (ed.): The Developmental State, Cornell University Press, Ithaca and London.
[284] Richard A. Musgrave. 1959. The Theory of Public Finance: A Study in Public Economy. New York: McGraw-Hill; and Richard A. Musgrave "A Multiple Theory of Budget Determination" at http://www.mohr.de/fileadmin/user_upload/Zeitschriften/musgrave_budget_determination.pdf (accessed on 1/16/2015)
[285]Source: http://news.ucsc.edu/2007/01/1026.html (accessed on 12/10/13)
[286]http://www.essie.ufl.edu/~fnaja/chapter4.html (accessed on 12/10/13)

or local government and are managed at the national level of government. The third function, allocation, is the basic concern of the local government. The allocation function can be defined in simple words as the provision of socially desirable public goods.

Gunner Myrdal writing in *Asian Drama: An Inquiry into the Poverty of Nations (1968)*[287] argued that the major reason for the economic stagnation of many developing countries lay in the absence of a 'hard state' that can surmount conservative interests in favour of social reforms and economic transformation. The Asian countries of Singapore, Taiwan, Malaysia, and South Korea seem to have heard his message. They undertook to and developed their countries originally with benevolent leaders, with less liberal democracy. The state originally played a key role including establishing and owning big companies. China has followed suit. It is realizing high levels of growth under their so-called social market economic system.

In the late 1970s, there was a U-turn on the developmental state across all social sciences, and particularly the economists who began advocating individualism, liberal markets ('opening up markets'), and a small state or contraction of the state. These were neoliberal ideas. In academia the Keynesian justifications for state intervention were replaced by both the monetarist theory[288] and the rational expectations 'revolution, and meanwhile in the political arena Margaret Thatcher (UK) and Ronald Reagan (US) led the 'barrel' to reduce public spending. Thatcher heralded the sale and divestiture of state owned enterprises.

Liberalization and depoliticization: With regard to policy proposals, since the late 1970s and mainly in the 1990s, the current focus of economic growth and development has focused on two closely interrelated concepts total liberalization an economic aspect, and depoliticization (with its implied 'no state regulation') as a political aspect.

The role of the price mechanism dates back to Adam Smith's suggestion of the 'invisible hand'. The forces of demand and supply should determine quantity demanded and quantity supplies and quality. Quality is related to the price and affordability. Class comes to raise the price of branded goods and most goods of ostentation. If conditions in the market were perfect and buyers and sellers had perfect information about where to buy, the quality, and prices, there would be not major problem with the 'invisible hand'. However, in developing countries (and even in rich countries), information asymmetry indeed exists. This does not

[287] Gunner Myrdal (1968), Asian Drama: An Inquiry into the Poverty of Nations, New York: Twenty-First Century Fund.

[288]Heavily support by Milton Friedman and the so called Chicago School of Economists

permit the efficiency of markets. Therefore, liberalization or opening of markets ("getting the prices right") may not provide a solution for the growth of developing countries in Africa.

Right prices in neoliberal economics means those prices that prevail in a totally unregulated domestic or international market. In the domestic market "getting the prices right" means deregulation of product and factor markets. It means no government regulation, at all, of the market. It means, among others, divestiture of state owned enterprises. With regard to international trade, "getting the prices right" means opening of trade and competing as a country and its businesses with the rest of the world. Opening up may have to consider the principle of *asymmetry* with regard to international trade.

The principle of asymmetry in trade matters a lot. *Asymmetry* in trade negotiations and relations refers to 'less than equal' realization that some countries are more developed than others. During trade negotiations, this fact should be considered. For example when negotiating the levels of liberalization, the EU should open up more of its economy than African countries. Tussie & Saguier (2011), while there may be degrees of asymmetry between forces, we apply the term to the circumstances in which there is a significant disparity between contending parties, no consideration of such disparity and no fair chance of matching up forces in the process. By using the concept of asymmetry we assume that there is more than a mere high level of interdependence in these relations. We are hence concerned with absolute rather than relative asymmetry. As a result of such asymmetry the trade agreements (FTAs) not only cover the reduction or elimination of tariffs and other non-tariff barriers on the trade of goods and services, but they also cover broader elements of interest to developed countries such as investment rules, intellectual property rights and so on (Tussie & Saguier (2011:2)[289].

Depoliticization: political determination of economic outcomes is viewed as mainly leading to either social waste (including rent-seeking and corruption) or minority interests of those non-democratic leaders over the majority interest. While the majority contributes taxes, labour, and produce children used in the military and police, they usually suffer poverty and ill-treatment by the small click of the elites who capture and use power for selfish ends. Because of this, there is a lot of literature under the disciplines of politics and economics and powerful forces that recommends depoliticization. They see the liberalized market as the way to

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[289]Tussie, D., and Marcelo Saguier, M.,(2011), "The Sweep of Asymmetric Trade Negotiations: Overview", Region, Regionness and Regionalism in Latin America: Towards a new synthesis; Serie Working Paper 130, Abril 2010 (To be published in S Bilal, P de Lombaerde and Tussie (eds) The Sweep of Asymmetric Trade Negotiations: Problems, Processes and Prospects. Ashgate 2011

disciplining such minority selfish interests. Markets should be self-regulating. While we agree the minority interests have taken over from the majority in African countries, we can't wholesale confirm that liberalization is the answer.

The World Bank (2005), *Learning from a Decade of Reform* -learning from the 1990s has found that liberalization is not a panacea for rapid and sustained growth in developing countries. Some countries that liberalized have achieved high levels of growth but some have not. There more factors to consider than just market liberalization. Undeveloped markets may not just growth and lead to development by immediately opening wholesale. We note in this book that there hardly any 'opened up' economies in the world. The EU and USA are in a marathon negotiating trade and investment agreements in all the corners of the world. Why this? They know that their and other countries markets are not open.

Nobel laureate in Economics and former Chief Economist The World Bank, Joseph Stiglitz has written that lack of regulation is the price of inequality in USA[290]. He argues that left on their own devices, markets are neither efficient nor stable and will tend to accumulate money in the hands of the few rather than engender competition. Stiglitz argues that a free and competitive market is highly beneficial to society at large, but that it needs government regulation and oversight to remain functional. Without constraint, dominant interests use their leverage to make gains at the expense of the majority. Concentration of power in private hands, Stiglitz believes, can be just as damaging to the functioning of markets as excessive regulation and political control[291].

We are not suggesting import substitution massively supported by developing countries in Africa and probably with even donor funds. We are observing that during the process of growth, industrialization and later development and democracy, developed countries of Asia were not always free markets and liberal democracies. We have also shown that it the same stages that the rich and developed countries followed. We have given two example of how USA and UK to demonstrate how they developed both politically and economically.

The most important ingredient in growth and development is political leadership and institutions. Without these two there is no direction in the economy and the politics are messy. Such an economy cannot 'see its head up'. As they say 'the fish starts to rot from its head'.

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[290] Joseph Stiglitz (2012): The Price of Inequality. W.W. Norton & Co., Inc.

[291]Thomas B. Edsall "Separate and Unequal: The Price of Inequality by Joseph E. Stiglitz" source:http://www.nytimes.com/2012/08/05/books/review/the-price-of-inequality-by-joseph-e-stiglitz.html?_r=0 (accessed on 12/8/13))

A look at the East Asian Economies and rapid growth and development

The emergence of the power of Neo-liberalism and the tendency to view the role of the state in a narrow focus has ruled the world mainly since late 1970s. They assert that the government should mainly tax business and individuals – but play no role in the private sector. They forget that in most developing countries, there exists market failure all the time. Robert Wade (1990) writing in *Governing the Markets*[292]that Asian advanced countries such as Taiwan grew under a 'hard state' role. Wade shows that in Taiwan, public investment was equal to around a half of the national investment. Let us look at Singapore which has been viewed as one where its leaders seldom picked winners. There is a big role of the state in the mobilization of public savings. From a public savings perspective, however, Singapore's massive public savings of 18.5 percent of GDP suggests a powerful promotional stance, in which the state single-handedly created a pool of total savings larger than most nations can create through both public and private savings[293].

Look at **South Korea** which claimed that it was a free market economy when it grew rapidly. Let us look that the country before the Asian economic crisis of 199/8. Population growth rate were low around at 2.16 per annum between 1950 -73 at 1.25 per annum from 1973 to 1998[294]. Between 1950 and 1998, the absolute number of population increased from 20.8 million to 46.4 million. This is an increase of 25.6 million in 48 years. By 1950 it has a total GDP of US$16 million and it had reached US$56.4 million in 1998. This is an increase of US$ 40.4 in 48 years. By 1996, it was the 12th largest economy in the world and had become a member of the OECD (the first of the Asian tigers to be admitted). Specifically, its annual average growth rate of GNP was about 10 per cent between 1965 and 1980. Let us observe that if we exclude the OPEC members and the command economies (centrally planned economies), it had the fifth highest growth rate of real GNP in the 1960s and in the 1970s, and for some part of the 1980s[295]. Amsden (1989:9) quotes that in 1986 the *Fortune* list of the top 500 private non-oil companies included 10 from South Korea and only 10 from the rest of all the developing countries combined. We note that this spectacular growth came at some cost of the highly exploited class. We also observe that along the growth path, mostly the working class in never well remunerated. The poor remuneration changes with a period

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[292]Wade, R., (1990): Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization. Princeton, N.J: Princeton University Press

[293] Krieckhaus, J., (2004): "In Praise of the State", Issues & Studies 40, no. 1:46-60.

[294] Maddison Angus, The World Economy: A Millennial Perspective, OECD (2001: 218)

[295] See Sung YK, (1990:5), "The Economic Development of the Republic of South Korea 1965-1981" in Lau, L., (ed.), Models of Development: A Comparative Study of Economic Growth in South Korea and Taiwan. San Francisco, CA: ICS Press

of time last at time more than decades. The trade unions begin to demand for the right compensation.

The credit for its current prosperity goes to General Park Chung-hee who in 1961 led a military coup which established a strong state intervention in the economy oriented to the goal of rapid industrialization. He is credited with Miracle of the Han River symbolizing the miracle of industrialization and development. His rule–lasting 18 years until his assassination by his head of intelligence in 1979 was a key growth and development period of South Korea. It was during this period that it graduated from the third to the 'advanced' economies. Throughout Park's period, the 1980s and 1990s, the Korean state was the engine that was powering industrialization and economic growth. According to Rodrik (1994:61) after President Park took over in a military coup on 16 May 1961, the scope of export subsidization was greatly enlarged. The subsidy on export credits was increased and exporters were exempted from the commodity tax and the business activity tax[296].

What did the Park regime do to boost industrialization and growth?

The state undertook the following during this period:

i) It allocated resources for investment, undertook price controls, and regulated capital movements; most especially for offshore investments. Because of the legislation that had been passed in the 1960s, there was control of cash outflow. Any unauthorized overseas transfer of US$ 1 million or more was handed a minimum sentence of 10 years in prison and a maximum death sentence[297].

ii) The state shared risk and undertook and overwrote research and development especially in the development of the electronics industries. It is also was critically present supporting the semiconductor industry.

iii) The state supported planning via the Economic Planning Board (EPB). The EPB was given unprecedented powers with regard to planning for the economy. So in a nutshell there was national (state) planning common to the command economies of the East. The CEO of the EPB was elevated to the rank of Deputy Prime Minister a rank that made this position second in the government hierarchy. Park regime nationalized the banking system (5 months after his coup). It should be mentioned

[296] Rodrik, D., (1994), "Getting interventions right: how South Korea and Taiwan grew rich", NBER Working Papers No. 4964

[297] This law was still important and feared into the 1980s – even though the state began to lose its ability to control capital to the same degree as before. See Amsden, A., (1989:17), " Asia's Next Giant: South Korea and Late Industrialization", New York: oxford University Press

that by 1970, the state controlled exactly 96.4 per cent of the country's total financial assets.

General Park's assassination was followed by another military coup led by Chun Doo-hwan. However, Chun's own chosen successor Roh Tae-woo, started a political reform process that led to the consolidation of pluralistic democracy after 1992.

Overall in addition to import protection, export promotion measures were also used to further industrial development for South Korea. These included subsidized credit, tax breaks, export processing zones, bonded manufacturing warehouses, duty drawbacks, privatization of customs administration and direct export subsidies (UN 2013: 128)[298].

Let's look at Taiwan: This is another Asian economy that grew rapidly. According to Lau (2002)[299], Taiwan began its industrialization drive after Hong Kong and before South Korea as a result of rising wage rates in Japan, and subsequently Hong Kong, and quota restrictions imposed by the U.S. and subsequently Europe on textile exports. It started with a high population density and with unfavourable resource endowment. It does not have the resources endowment that almost all the undeveloped Africa has. In the last century, its real GNP per capita has grown approximately US$ 6 billion to over and above US$ 300 billion; and from slightly more than US$700 to almost US$13,000 (in 2000 prices), achieving rates of growth of more than 8 percent and 6 percent per annum respectively[300]. It was not affected by the East Asian currency crisis of 1997/8 because of its large foreign exchange reserves and a low external debt.

Taiwan pioneered some important economic policies by any developing country during its growth. The most important policies for this book include land reform, promotion of family planning, export–oriented industrialization, and reliance on the private sector to ultimately stimulate growth. Land reform issues are intricate and often cause brawls but Taiwan was able to reform land systems because it was partly implemented by reformers who themselves did not own any land and did not want any land for themselves. The Joint Commission for Rural Reconstruction (JCRR) played an important role in the land reform in this country.

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[298] UN (2013: 128), Human Development Report 2013: The Rise of the South: Human Progress in a Diverse World

[299] Lau, L-J, (2002), "Taiwan as a Model for Economic Development". Source: http://www.stanford.edu/~ljlau/Presentations/Presentations/021004.PDF (accessed on 12/14/13)

[300] Lau, L-J, (2002), "Taiwan as a Model for Economic Development". Source: http://www.stanford.edu/~ljlau/Presentations/Presentations/021004.PDF (accessed on 12/14/13)

In Africa, efforts at land reforms have failed because the most interested parties are those allegedly instituting the land reforms.

The World Bank now agrees that the countries of East Asia intervened in their economies (it was not always free market economy)[301]. With the break-out of the 2007/08 global financial crisis, the world got to understand that problems of market failure are not restricted to the developing countries but also the developed one.

Role of the state in developed countries after 2008 global financial crisis

The state in USA and UK began to bail out private companies to avoid the collapse of these economies. Amidst some murmurs from the citizens, the president of USA ordered the state bailout AIG (one of America's biggest insurers) at initially US$ 85 billion, and US$ 182 billion in total[302]. Some experts blame government for having failed to keep a keen eye of the firms. That government failed on its role of regulation. This said, what emerges is that the government came in to protect AIG[303]in order to avoid its collapse and posing a danger to the financial system. According to this report[304], Obama administration is not unique in supporting key companies. The Bush administration also supported key auto companies. *The Bush Administration extended short-term loans to GM and Chrysler to keep the companies afloat.* Amid the worst financial crisis since the Great Depression, credit markets were frozen and alternative sources of financing dried up, forcing GM and Chrysler to either seek government support or face near certain liquidations. In response, the Bush Administration extended short-term bridge loans to GM and Chrysler but left open key decisions on how to address the crisis, in part to preserve flexibility for the incoming Administration. The collapse

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[301] The World Bank (1993:9). The East Asian Miracle: Economic Growth and Public Policy. Oxford: Oxford University Press

[302] "*The Financial Crisis: Five Years Later*", Executive Office of the President September 2013, Report was prepared by the National Economic Council, the President's Council of Economic Advisers, the Domestic Policy Council, and the Office of Management and Budget. (Available at http://www.whitehouse.gov/sites/default/files/docs/20130915-financial-crisis-five-years-later.pdf (accessed on 01/01/14))

[303] "*The Financial Crisis: Five Years Later*", Executive Office of the President September 2013, Report was prepared by the National Economic Council, the President's Council of Economic Advisers, the Domestic Policy Council, and the Office of Management and Budget.(Available at http://www.whitehouse.gov/sites/default/files/docs/20130915-financial-crisis-five-years-later.pdf (accessed on 01/01/14))

[304] "*The Financial Crisis: Five Years Later*", Executive Office of the President September 2013, Report was prepared by the National Economic Council, the President's Council of Economic Advisers, the Domestic Policy Council, and the Office of Management and Budget.(Available at http://www.whitehouse.gov/sites/default/files/docs/20130915-financial-crisis-five-years-later.pdf (accessed on 01/01/14))

of *GM and Chrysler would have had a cascading effect through the American economy.* Similar to other parts of our economy, the American automotive industry has grown increasingly interconnected[305]. The collapse of GM and Chrysler could have caused the failure of other auto companies as well. In fact, observers estimated that the bankruptcy of GM and Chrysler could have resulted in 1 million jobs lost[306].

This did not happen only in the US. The British government also supported key financial companies. Britain's government offered banks like Royal Bank of Scotland, Barclays and HSBC Holdings up to £50 billion, or $87 billion, to shore up their capital in exchange for preference shares[307]. In fact this bailout money made the government an investor; what Margaret Thatcher has minimized with liberalization and divestiture of state enterprises in 1990. As the then Prime Minister Gordon Brown said "Our plan is to buy shares in the banks themselves and therefore we will have a stake in the banks. We are not simply giving money."[308]It will also provide a guarantee of about £250 billion to help banks refinance debt and the Bank of England will double the amount it lends to banks under the special liquidity scheme to £200 billion[309].

We see that all economies come into the operations of the market to stabilize the economy to avoid macroeconomic instability that affects growth of economies.

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[305]"*The Financial Crisis: Five Years Later*", Executive Office of the President September 2013, Report was prepared by the National Economic Council, the President's Council of Economic Advisers, the Domestic Policy Council, and the Office of Management and Budget.(Available at http://www.whitehouse.gov/sites/default/files/docs/20130915-financial-crisis-five-years-later.pdf (accessed on 01/01/14))

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[307]http://www.nytimes.com/2008/10/09/business/worldbusiness/09britain.html?_r=0 (accessed on 01/01/14)

[308]http://www.nytimes.com/2008/10/09/business/worldbusiness/09britain.html?_r=0 (accessed on 01/01/14)

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Institutions and Policies to Boost Economic Transformation in Africa

Despite the level of democracy, institutions can be established and play a big role in enhancing economic growth in an economy. They are important. Dambisa Moyo (2009) and Twineyo- Kamugisha (2013) have added that a country can have institutions to promote private sector competitiveness and growth without necessary having a fully grown democracy western style[310]. The growth of East Asian economies has been attributed to among others

[310]Chile under Augusto Pinochet, a dictator, achieved impressively higher levels of growth without a liberal democracy – but there were institution to support a liberalized economy.

visionary political leadership and institutions[311]. Therefore visionary political leadership and institutions will matter for Africa's efforts at growth and poverty reduction.

Different writers with different philosophical orientation (Eurocentric, Asiacentric, etc.) have pointed to among others an emerging middle class that pushed for growth, the fear of communism and yearning for market economy, visionary political leadership and institutions that designed and enforced strict performance criteria for industries that received subsidies and trade protection, supported by a capable bureaucracy largely insulated from political capture[312].

Institutions have been presented in different literature as pertinent to economic growth. Some writers (including Douglas 1990, Barro 1997, Sachs 2003[313], Moyo 2009, Acemoglu and Robinson 2012, Twineyo-Kamugisha 2012) say that with existence of institutions to support growth, even economic success can happen under any type of regime: a democracy or an autocracy. They have been defined by Douglas North as cited by Acemoglu[314]. Douglass North (1990:3) offers the following definition: "Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction." Three important features of institutions are apparent in this definition: (1) they are "humanly devised," which contrasts with other potential fundamental causes, like geographic factors,

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[311] According to UNECA (2013), between 1980–2010, its (Africa's) share of manufacturing in aggregate output declined from more than 12 percent to around 11 per cent, but remained at more than 31 per cent in East Asia, where labour-intensive industries induced high and sustained growth and helped lift hundreds of millions of citizens out of poverty. Africa has also lagged behind East Asia on other measures. That region has seen not only surging per capita income but also a soaring share of global exports and income over the last four decades. Industrial policies were particularly successful in East Asia because of committed and visionary political leadership and institutions that designed and enforced strict performance criteria for industries that received subsidies and trade protection, supported by a capable bureaucracy largely insulated from political capture. (source: UNECA (2013), Economic Report on Africa 2013)

[312] UNECA (2013), Economic Report on Africa 2013

[313] Sachs, J., (2003) says that institutions matter, but not for everything – and he looks at the role of geography and resource endowments in development. (See Sachs, J., (2003) "Institutions Matter, but Not for Everything: The role of geography and resource endowments in development shouldn't be underestimated", Finance & Development June 2003). It is this view that has pitied Sachs and the authors of Why Nations Fail - Acemoglu and Robinson (2012) Why Nations Fails asserts that institutions but not geography matter. Sachs opposes this. (see they are mouthful exchanges at http://whynationsfail.com/blog/2012/11/21/response-to-jeffrey-sachs.html accessed on 12/23/13)

[314]Acemoglu; Challenges for social sciences: institutions and economic development at http://www.aeaweb.org/econwhitepapers/white_papers/Daron_Acemoglu.pdf (accessed on 12/23/13)

which are outside human control; (2) they are "the rules of the game" setting "constraints" on human behavior; (3) their major effect will be through incentives[315].

Institutions can be seen from three interrelated pillars: economic institutions and political institutions, and the exercise of political power. Economic institutions not only determine the aggregate economic growth potential of the economy, but also the distribution of resources in the society. Herein lies part of the problem: different institutions will not only be associated with different degrees of efficiency and potential for economic growth, but also with different distribution of the gains across different individuals and social groups[316].

Acemoglu also explains political institutions. Political institutions, similar to economic institutions, determine the constraints on and the incentives of the key actors, but this time in the political sphere. Examples of political institutions include the form of government, for example, democracy versus dictatorship or autocracy, and the extent of constraints on politicians and political elites[317]. Exercise of political power is important for growth and for the success of economic institutions. According to Rod Hague and Martin Harrop (2010:10), power is the currency of politics. They continue to say that power is the key political resource that enables rulers both to serve and to exploit their subjects[318].

The political systems are linked to the political institutions and exercise of power. According to Scott and Mcloughlin (2012:2), Political systems are the formal and informal political processes by which decisions are made concerning the use, production and distribution of resources in any given society. Formal political institutions can determine the process for electing leaders; the roles and responsibilities of the executive and legislature; the organization of political representation through political parties; and the accountability and oversight of the state. Informal and customary political systems, norms and rules can operate within or alongside these formal political institutions[319]. There are two components of political power; de jure (formal) and de facto political power (Acemoglu and Robinson, 2006). De jure

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[315]Challenges for social sciences: institutions and economic development at http://www.aeaweb.org/econwhitepapers/white_papers/Daron_Acemoglu.pdf (accessed on 12/23/13)

[316]Challenges for social sciences: Institutions and economic development at http://www.aeaweb.org/econwhitepapers/white_papers/Daron_Acemoglu.pdf (accessed on 12/23/13)

[317]Challenges for social sciences: Institutions and economic development at http://www.aeaweb.org/econwhitepapers/white_papers/Daron_Acemoglu.pdf (accessed on 12/23/13)

[318] Hague, R., and Harrop, M., (2010:10), Comparative Government and Politics: An Introduction, 8/E, London: Palgrave MacMillan

[319] See Scott, Z. and Mcloughlin, C., (2012), "*Topic Guide on Political Systems"*, Governance and Social Development Resource Centre, University of Birmingham, UK

political power refers to power that originates from the political institutions in society[320]. A group of individuals, even if they are not allocated power by political institutions, may possess it; for example, they can revolt, use arms, hire mercenaries, co-opt the military, or undertake protests to impose their wishes on society. This type of de facto political power originates from both the ability to solve its collective action problems and from access to economic resources (which determines the capacity to use force against others)[321].

Acemoglu and Robinson (2012)[322] have devoted an entire book, *Why Nations Fail*, on institutions – both inclusive and extractive economic and political institutions. Inclusive economic institutions are those that allow and encourage participation of the great mass of people in economic activities that make the best use of their talent and skills and that enable individuals to make the choices they wish (Acemoglu and Robinson 2012:74). To be inclusive, they write, these economic institutions must feature secure property rights, an unbiased system of law, and a provision of public services that provides a level playing field in which people can exchange and contract; it also must permit the entry of new businesses and allow people to choose their careers[323]. To foster economic activity, productivity growth, and economic prosperity, inclusive economic institutions require secure property rights and opportunities only for the elites but the broad cross-section of society[324].

They refer to extractive economic institutions as those which have opposite properties to those that they call inclusive. They are extractive because such institutions are designed to extract incomes and wealth from one subset of society to benefit a different subset[325]. To succeed, inclusive economic institutions need inclusive political institutions. Extractive economic institutions exist where there are extractive political institutions. They describe inclusive political institutions as those that are sufficiently centralized and pluralistic. Those that don't meet these conditions of sufficiently centralized and pluralistic are referred to as extractive political institutions. Extractive political institutions concentrate power in hands of

[320]Challenges for Social Sciences: Institutions and Economic Development (Available at http://www.aeaweb.org/econwhitepapers/white_papers/Daron_Acemoglu.pdf (accessed on 12/23/13)
[321]Challenges for Social Sciences: Institutions and Economic Development. (Available at http://www.aeaweb.org/econwhitepapers/white_papers/Daron_Acemoglu.pdf (accessed on 12/23/13)
[322] Acemoglu, D., and Robinson, J., (2012). Why Nations Fail: The Origins of Power, Prosperity and Poverty. London: Profile Books
[323] Acemoglu, D and Robinson J, (2012:74-5): Why Nations Fail: The Origins of Power, Prosperity and Poverty. London: Profile Books
[324] Acemoglu, D., and Robinson, J., (2012:75). Why Nations Fail: The Origins of Power, Prosperity and Poverty. London: Profile Books
[325] Acemoglu, D., and Robinson, J., (2012:76). Why Nations Fail: The Origins of Power, Prosperity and Poverty. London: Profile Books

a narrow elite and place few constraints on the exercise of this power[326]. They argue that the people suffering under extractive economic institutions cannot hope that such absolutist rulers will voluntarily change political institutions to redistribute power in society. You can only change these political institutions by force – to force the elite monopolizing power to create more pluralistic institutions[327].

The central thesis of their book is that that economic growth and prosperity are associated with inclusive economic and political institutions, while extractive institutions typically lead to stagnation and poverty. But this implies neither that extractive institutions can neither generate growth nor that all extractive institutions are created equal (Acemoglu and Robinson 2012:93). Supporting their thesis of inclusive and extractive institutions, they write that South Korea under General Park Chung-he realized economic growth because they were "heavily supported by United States and with an economy where economic institutions were inclusive"[328]. These researchers continue to add that it did so "perhaps partly because the regime was not directly supported by extractive institutions"[329].

Institutions matter – but require good leadership

Before we start to look at institutions, and good leadership, we need to categorically state that availability of information (especially on good leadership, governance and accountability by the state) matters to democracy and institutions. We need to hear what Eric Schmidt and Jared Cohen – both Executive Chairman and Director - Google, and Director Google Ideas respectively, are saying in the year 2013[330]. They write with eliminated information asymmetry, where the citizens of the world access uncensored information via the internet, the citizens are gaining more power and that authoritarian governments will find it more difficult to control, repress and influence their newly connected populations[331]. For democratic states, Schmidt, E., and Cohen, J., (2013:7) write that they will be forced to include more voices in their state affairs (including individuals, organizations, and companies).

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[326] Acemoglu, D., and Robinson, J., (2012:81). Why Nations Fail: The Origins of Power, Prosperity and Poverty. London: Profile Books

[327] Acemoglu, D., and Robinson, J., (2012:87). Why Nations Fail: The Origins of Power, Prosperity and Poverty. London: Profile Books

[328] Acemoglu and Robinson (2012:93), Why Nations Fail, Profile Books: London

[329] Acemoglu and Robinson (2012:93), Why Nations Fail, Profile Books: London

[330] Schmidt, E., and Cohen, J., (2013). The New Digital Age: *Reshaping the Future of People, Nations and Business*. London: John Murray Publishers

[331] Schmidt, E., and Cohen, J., (2013:7). The New Digital Age: *Reshaping the Future of People, Nations and Business*. London: John Murray Publishers

Many things have happened that show that the internet and other ICT are bringing change to our current (and influencing the future) world. The removal of Hosni Mubarak of Egypt by popular demonstrations on Tahirir Square in Cairo was mobilized using the internet – Facebook and twitter. We got to know about the fact that USA was spying on each and every country in the world via WikiLeaks. WikiLeaks exposed all the 'secrets' of America's diplomacy by making several classified digital records available to the world via the internet. Where else would a common person have been able to obtain such information at no cost and without being arrested for spying. Snowden, the US contractor, exposed how US was recently spying by tapping the phones of leaders in different parts of the world (including Angela Merkel, the German Chanceror, and a friend to Obama of USA). As a writer, I am able to access loads and loads of data via the internet. It would have been expensive for me from poor Africa to access all that I have been able to access without connectivity and the internet. And I don't need to have a big gadet as a computer. Not at all. I have a smart phone – a small gadget in my hands.

We will look at institutions and policies necessary to enhance economic transformation. As Collier et al., (2008:391) state it, policy choices do not lend themselves to quantitative analysis: they are highly multifaceted with no obvious procedure for aggregation, and they are often continuous but ordinal, lying on the qualitative spectrum better worse[332]. The policies are influenced by the existing economic conditions, political parties, the incumbent individual leader whether representing a party or independent, private sector, civil society and the development partners. They are likely also to be specific to the current level of growth and society development.

Institutions[333] are important. We have to confirm that where institutions have worked, either under an illiberal democracy, autocracy or liberal democracy, they have supported and enhanced growth and prosperity of those countries. Therefore we don't need to label them inclusive or extractive. May be we label them pro-growth institutions. As long as they are developed in a manner that serves the private sector and development, and are given the financial and human resources with time, institutions will support growth. They have

[332] Paul Collier and Robert H. Bates, with Anke Hoeffler and Stephen A. O'Connell (2008), "Endogenizing syndromes", in E/D Benno J. Ndulu, Stephen A. O'Connell, Robert H. Bates,Paul Collier and Charles C. Soludo (2008), The Political Economy of Economic Growth in Africa, 1960–2000, Volume I; African Economic Research Consortium: Cambridge University Press

[333] In book, we are not going to directly cover under extractive or inclusive institution – the terms that Acemoglu and Robinson use in Why Nations Fail.

supported and promoted growth of industries, exports and services under different political systems and ideologies, in South Korea, Singapore, and Chile, China and Brazil.

As institutions develop and mature to undertake meaningful coordination, supervision and monitoring of economic, political and social spheres of the economy, the level of liberal democracy continues to improve. Left un-disorganized, institutions can transform an economy and the society from a dictatorship to a liberal democracy.

We need institutions for law and order, for enhancing private sector competitiveness, protection and enforcement of property rights, promotion of exports, and for tourism, for fighting corruption, for equal employment rights, for diseases control. We also need institutions and policies that explain when the state should intervene and how it should intervene. State intervention should be clearly stated in law for example in the constitution, the investment code, the export promotion act, the tourism promotion and development act, the national budget act, among others. We stress that countries with a tainted image need to undertake deliberate nation branding. There has to be institutions as organizations and institutions as laws and policies.

The police and judiciary are vital institutions. They should be independent and operational. The number of the judiciary matters for service delivery. There needs to an enabling environment for markets to work. The private sector needs enabling policies, laws, and regulations. In the African countries, there is need to have trade support agencies such the investment and export promotion boards, and anti-unfair competition agencies. Most of the small businesses that litter these countries require market information which is expensive but this can be obtained by a public tourism or export promotion agency. The few big businesses may not need a government agency for information gathering. They have the capacity to collect their own information.

Finally we need to mention, related to policies and institutions, that human being respond to incentives. According Joseph and Gillies (2009), institutions and the overall policy environment must therefore be designed to reward pro-development behaviours. Joseph and Gillies (2009) state that incentives can determine whether individuals and society collectively find it in their best interests to act in ways that facilitate rather than undermine national development. Economic incentives can influence whether a successful businessperson invests her profits in domestic industry, thereby creating jobs, or instead sequesters them away in foreign accounts.

Political incentives can encourage a minister to push for civil service reform, thereby cutting costs and improving performance, rather than just allocating positions among cronies. Leaders who advance their own interests at the expense of societies would not remain in power long (Joseph and Gillies 2009:3). However, as has been variously observed including by Joseph and Gillies (2009:3-4), institutional mechanisms, and their capacity to elicit responses from those in power (comprise the ingredients of strong domestic accountability) but in most of Africa, such mechanisms are still weak or absent.

Again, Joseph and Gillies (2009) assert that if incentives encourage good behaviour, it is also the case that accountability can constrain the bad. When vertical accountability mechanisms exist, such as honest elections, citizens can demand that their government act in ways that advance their interests. In such contexts, the failure to maximize the benefits from a country's resources would not be allowed to continue (Joseph and Gillies 2009:3-4).

Size of government and economic growth: *Does the size of government matter to economic growth in Africa?*

We need to note that following the collapse of the Berlin Wall[334] on 9th November 1989, there has been more acceptance of capitalism and associated market liberalization and greater movement towards the Anglo-Saxon economic freedoms (economic freedoms as property rights, profits to firm owners, and government providing political leadership in a free enterprise economy)[335]. We need to note that the Karl Max group viewed economic freedoms differently favouring more state provision and communal provision of labour. Moving towards free market economy, most countries have reduced tariff rates (and became members of the WTO), liberalized interest rates and exchange rate controls, sold state owned enterprises, and established monetary policies that are consistent with price stability.

In the 1980s and to lesser extent the 1990s, there was significant restructuring in African English speaking countries mainly. Stimulated by the right-wing agenda of President Ronald Reagan of US (1981-89) and Prime Minister Margaret Thatcher (1979-90), state industries

[334]The 28-mile (45 km) barrier dividing Germany's capital was built in 1961 to prevent East Berliners fleeing to the West. But as Communism in the Soviet Republic and Eastern Europe began to crumble, pressure mounted on the East German authorities to open the Berlin border. The Wall was finally breached by jubilant Berliners on 9 November 1989, unifying a city that had been divided for over 30 years.(source: http://news.bbc.co.uk/onthisday/hi/witness/november/9/newsid_3241000/3241641.stm (accessed on 12/31/13))

[335]We note that there were originally two main views of economic freedom: Anglo-Saxon; and Karl Max. The Anglo-Saxon supported by Milton Friedman so economic freedoms as property rights, profits to firm owners, and government providing political leadership in a free enterprise economy.

and other enterprises were sold, welfare provision schemes were trimmed, the highest rates of income tax were reduced, and the state increasingly adopted the mode of supplying public services indirectly using private contractors.

We should avoid equating restructuring with government retreat. For example, as the state's direct engagement in the UK economy declined during this period, its role as a regulator continued and even expanded. Regulation is a cheaper activity for government. It is a shift in the state's focus and a transition from government to governance. Government regulation is however important. Regulation can do a good job of correcting market failure. For example, good financial regulation helped the United States and the world avoid a major crisis for four decades after the Great Depression[336].

Despite the trends, the size of government expenditure has remained high. The recent decades up to around 2000, there was substantial growth in the size of government as a share of the economy more so in the high income industrial nations. Data for all the 23 OECD countries shows that government expenditure grew substantially between 1960 and 1996. While in 1960 the government expenditure of the growth averaged 27 per cent of GDP, it had grown to 48 percent of GDP by 1996. It had been measured in constant purchasing power units (or on a per capita basis); the increases in the size of government would have been substantially greater[337]. Gwartney et al., (1998) in their paper "*The Size and Functions of the Government and Economic Growth*", prepared for the Joint Economic Committee state that Government provision of both a legal and physical infrastructure for the operation of a market economy; and a limited set of public goods can provide a framework conducive for economic growth.[338] They however, state that as governments move beyond these core functions, they will adversely affect economic growth because of (a) the disincentive effects of higher taxes, (b) diminishing returns as governments undertake activities for which they are ill-suited, and (c) an interference with the wealth creation process, because governments are not as good as markets at adjusting to changing circumstances and finding innovative new ways of increasing the value of resources[339].

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[336] Joseph Stiglitz (2012:34). The Price of Inequality. W.W. Norton & Co., Inc.

[337] This is according to Gwartney, J., Lawson, R., and Holcombe, R., (1998). "The Size and Functions of the Government and Economic Growth", Prepared for the Joint Economic Committee; Jim Saxton, Chairman.

[338] Gwartney, J., Lawson, R., and Holcombe, R., (1998, p. (v)); "The Size and Functions of the Government and Economic Growth", Prepared for the Joint Economic Committee; Jim Saxton, Chairman.

[339] Gwartney, J., Lawson, R., and Holcombe, R., (1998, p. (v)); "The Size and Functions of the Government and Economic Growth", Prepared for the Joint Economic Committee; Jim Saxton, Chairman.

They present that (as it were) the core functions of government are protection of persons and property, national defense, education, monetary stability, and physical infrastructure. When government moves away from these core functions, they put it that empirical evidence that they have viewed indicates that they retard economic growth. Robert Barro (1996) has argued that the size of government matters and says that a small government is one of the favourable effects on economic growth even in a country that is not a liberal democracy. He states that the other things that are favourable effects for economic growth are maintenance of the rule of law, free markets, and high human capital[340]. There seems to be a general agreement that a big government spends money on running political offices and populism activities than provide its core functions. The size of government is not small in developing countries of Africa. It eats away the financial resources for service delivery, and infrastructure development.

While it may be important to have a small government to reduce public expenditure especially on political (not technical) officers, the technical government still has a role to play in service delivery and supervision of contractors and projects; and the state cannot abandon key and sensitive investments in an economy.

In developing countries it is expensive for instance to establish a good rail network covering most parts of a country. Both foreign and local investors find this an unattractive venture. Investors may find that it will take long to recover their investment. But the rail network is vital. It provides cheap means of transport to productive regions of such a country. The state has to come in and provide this service singly or in partnership with some private sector players. In the long run it may choose to divest it.

In their presentation to the Joint Economic Committee, Gwartney et al., (1998:5) make some interesting comment. They say that in the real world governments may not undertake activities based on their rate of return and comparative advantage. They also say that a small government by itself is not an asset. According them, when a small government fails to focus on and efficiently provide core functions such as protection of persons and property, a legal system that helps with the enforcement of contacts, and a stable monetary regime, there is no reason to believe that it will promote economic growth. This has been (and still is) the case in many less developed countries.

[340] Barro, R.J., (1996), "Democracy and Growth", Journal of Economic Growth 1 (1): 1-27

Governments including those that are small can be expected to register slow or even negative rates of economic growth when these core functions are poorly performed. Unless proper adjustment is made for how well the core functions are performed, the empirical relationship between size of government and economic growth is likely to be a loose one, particularly when the analysis involves a diverse set of economies[341]. However, the suggestion for a small government and a private-sector led growth is that a private sector led by the profit motive is usually efficient. According to Lau (2002), "Private entrepreneurs are not necessarily smarter than public officials. Their advantage is that they do not have deep pockets and so have to cut their losses very quickly when a project turns out to be a mistake. Public enterprises, supported financially by the government, tend to hang on long after they can be commercially justified" Lau (2002:14)[342].

It has to be mentioned here that the size of government matters to most countries of Africa with low GDP and dependent on foreign aid – and helped by recent debt relief.

Physical geography is an issue where there is bad leadership and poor neighbourliness of a land locked country

Let us first examine the arguments associated with geography: latitude, climate and diseases, and landlockedness. We examine these issues before we state that being landlocked is not necessarily a barrier to growth – except where there is bad leadership.

Does **latitude and being tropical climate** have something to do about levels of growth in Sub Saharan Africa?

Since 1880, Africa has experienced persistent poor economic performance. Using different sources including Maddison, OECD and IMF database, Africa's economic performance from 1820-2011 lagged behind that other regions of the world[343]. As a result of this poor performance, 19 out of 20 poorest nations in the world are found in Africa – that is Sub Saharan Africa. Can we attribute this situation to the countries geography, and latitude? A recent study looking at GDP per capita by latitude for 2005 - 2007 period shows that incomes

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[341] Gwartney, J., Lawson, R., and Holcombe, R., (1998:5). "The Size and Functions of the Government and Economic Growth", Prepared for the Joint Economic Committee; Jim Saxton, Chairman.

[342]Lau, L.J., (200), "Taiwan as a Model for Economic Development" Stanford University. http://www.stanford.edu/~ljlau/Presentations/Presentations/021004.PDF#page=4&zoom=auto,0,572 (accessed on 1/7/14)

[343] Miles, D., Scott, A., and Breedon, F., 2012. Macroeconomics: Understanding the Global Economy.3/E. John Wiley & Sons, Ltd.

tend to be lower closer to the equator[344]. This study shows that GDP is strongly related to latitude, where incomes are generally lower in the tropical areas near the equator (with Singapore and Hong Kong in East Asia as important exceptions). In most sub-Saharan Africa, 93 percent of the countries have tropical climate. As you move away from the equator, and from the tropics, to the north or south (these are non-tropical areas), find that income are high than for those in the tropics[345]. You find that the five North African nations that have a higher GDP per capita in 2009 at US$ 4523 and South Africa at US$ 5786 are outside the tropics[346] - and sub Saharan Africa's has a minimal average US$ 1127[347]. In these tropics, there is prevalence of malaria, agriculture is less productive, and agriculture innovations that are mostly designed for temperate regions make their adoption in the difficult. It should be noted that historically malarial countries have grown more slowly than others. Annually, Africa loses an estimated 2 million people to malaria – accounting for over 20 per cent of total annual deaths in Africa.

In addition to latitude and the tropical climate, the issue of most of the poor African countries being landlocked has been put forward. Krugman[348], Bloom and Sachs[349], and later Sachs[350] put it that physical geography can explain the causes of different growth levels in the world – and explain Africa's mainly landlocked countries. Land locked countries face high trading costs than economies closer to the ocean coasts. Even, Adam Smith in 1776, in the *Wealth of Nations*, alluded to the fact of African countries possible high cost of transport for

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[344] Kummu, M., and Varis, O., (2011), "The world by latitudes: A global analysis of human population, development level and environment across the north-south axis over the past half century", Applied Geography, 31(2), 495-507, Sceince Direct, Elsevier.
[345] Miles, D., Scott, A., and Breedon, F., 2012. Macroeconomics: Understanding the Global Economy.3/E. John Wiley & Sons, Ltd.
[346] Miles, D., Scott, A., and Breedon, F., 2012. Macroeconomics: Understanding the Global Economy.3/E. John Wiley & Sons, Ltd.
[347] Miles, D., Scott, A., and Breedon, F., 2012. Macroeconomics: Understanding the Global Economy.3/E. John Wiley & Sons, Ltd.
[348]Krugman, P., (1991): "Increasing Returns and Economic Geography", Journal of Political Economy, 1991, vol. 99, no.3
[349] Bloom, D., and Sachs, J.D., (1999), "Geography, Demography and Economic Growth in Africa", Brookings Papers on Economic Activity.
[350]Sachs, J., (2003):"Institutions Don't Rule: Direct Effects of Geography on Per Capita Income", NBER Working Paper No.9490; Sachs, J., (2003), "Institutions Matter, but Not for Everything: The role of geography and resource endowments in development shouldn't be underestimated", Finance and Development. Pp.38-41; Sachs, J., (2012); "Review Essay of *Why Nations Fail* by Daron Acemoglu and James Robinson, *Government, Geography, and Growth: The True Drivers of Economic Development",* Foreign Affairs, Volume 91 Number 5

international trade was due to lack of access to the big waters (in other words landlocked)[351]. He wrote that in Africa there was none of those great inlets (such as the Baltic and Adriatic seas in Europe, the Mediterranean and Euxine seas in both Europe and Asia, and the gulfs of Arabia, Persia, India, Bengal, and Siam, in Asia) to carry maritime commerce into the interior parts of that great continent; and that even the great rivers of Africa are at too great a distance from one another to give occasion to any considerable inland navigation[352]. Sachs (2003) says that poor physical endowments may also hamper development[353]. In a series of papers, Sachs[354] and colleagues have demonstrated that levels of per capital income, economic growth, and other economic and demographic dimensions are strongly correlated with key geographical and ecological variables, such as climate zone, disease ecology and distance from the coast (Sachs 2003:2).

There is another argument about geography and the effect it had on colonialists as settlers – which affected early establishment of infrastructure in Africa – and Africa's poor performance then. Could colonization have affected growth in Africa? There is evidence in 1500 there were several examples of flourishing African cities that were at least on a par with those of Western Europe[355]. It has been written by Acemoglu et al (2002) that, despite the fact that data on sub-Saharan Africa are not good, urbanization in this region before 1500 was at a higher level than in North America or Australia[356]. Citing Bairoch (1988)[357], they further write that by 1500 urbanization was 'well established' in sub-Saharan Africa[358].

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351 Adam Smith, 1776. *An Inquiry into the Nature and Causes of The Wealth of Nations*, An Electronic Classics Series Publication, The Pennsylvania State University

352 Smith, A., 1776. *An Inquiry into the Nature and Causes of The Wealth of Nations,* An Electronic Classics Series Publication, The Pennsylvania State University

353 Sachs, J., (2003), "Institutions Matter, but Not for Everything: The role of geography and resource endowments in development shouldn't be underestimated", Finance and Development. Pp.38-41

354 Sachs, J., (2003),"Institutions Don't Rule: Direct Effects of Geography on Per Capita Income", NBER Working Paper No. 9490;

355 Miles, D., Scott, A., and Breedon, F., (2012:121). Macroeconomics: Understanding the Global Economy.3/E. John Wiley & Sons, Ltd.

356 Acemoglu, D., Johnson, S., Robinson, J.A., (2002:1238), "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution", The Quarterly Journal of Economics, Vol. 117, No. 4 (Nov.), pp. 1231-1294.

357 Bairoch, P., (1988). Cities and Economic Growth: From the Dawn of History to the Present. Chicago: The University of Chicago Press.

358 Acemoglu, D., Johnson, S., Robinson, J.A., (2002:1238), "Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution", The Quarterly Journal of Economics, Vol. 117, No. 4 (Nov.), pp. 1231-1294.

Where the European settlers faced adverse geography - and associated high settler mortality rates due to tropical diseases and conflict – (or large and developed indigenous communities with a big population), they avoided establishing a settled large colonial populations. The effect of this? The colonizers instead established institutions that focused on extracting rents (minerals, timber, cash crops, etc.) from the colony and exporting them to the colonial power. King Leopold of Belgium, claimed to have been responsible for the death of 5 million people in Zaire (now DRC), is an example here. So bad geography is here viewed as having contributed to rent-seeking activities (not entrepreneurship) and no good efforts to establish good institutions and infrastructure by the colonizers.

This above is in history. How about the present? Is geography a problem to the growth of Africa?

The issue of being landlocked (these days we say that these countries are 'landlinked'). Africa currently has 54 countries and many of these countries have very small economies – calculated in constant 2000 US dollars, the GPD of the median African economy is US $ 5.2 billion annually[359]. Let us state that 34 out of the 49 least developed countries are in Africa; and on average, each country has four neighbours, and 16 African countries are landlocked[360].

Is there a link between being least developed and being landlocked?

We strongly believe that Africa's main problem is not the geography of being landlocked but of bad leadership that fails to understand the need for friendship and partnership with the neighbours (including embracing regional integration).

We are saying that while it is challenge, geography alone cannot explain why African countries are poor: there is poor leadership. Good leadership can work with good neighbours and reduce the costs of transport to the ports and harbours. There are countries that are landlocked in Europe that have performed economically well: Switzerland, Austria, Luxemburg, and Botswana in Africa. As Collier (2008:54), being landlocked does not necessarily condemn a country either to poverty or to slow growth. He says that good neighbours matter not only as transport corridors for overseas markets but as markets themselves. However, 38 percent of the people living in bottom-bullion societies are in

[359] UNDP (2011:15), Regional Integration and Human Development: A Pathway for Africa. New York: UNDP.
[360] UNDP (2011:15), Regional Integration and Human Development: A Pathway for Africa. New York: UNDP.

countries that are landlocked and it is overwhelmingly an African problem[361]. Measured in population size, Africa has the largest percentage of the population living in landlocked countries according 2007 data from UNCTAD (2009)[362]. Africa has 16 countries[363] that can be described as landlocked[364]. Africa is home to over two thirds of the world's Least Developed Countries (LDCs), 12 of which have no access to the sea[365]. In total 16 African countries[366] are landlocked[367]. Thirty percent of African continent's population lives in landlocked in landlocked countries, compared to only 3 per cent of the population in Asia, and 4 per cent elsewhere[368]. Compared to Europe, for example, it has 15 landlocked countries but their total population is less than that of Ethiopia[369]. Therefore we can state that the problem of landlocked countries primarily concerns Africa. Most of these countries are small and can't form internal markets – as compared to China or India. Being land locked is a permanent physical situation that cannot be changed by man. However, man can change policies or institutions and yes he can rule well and cooperate with neighbours. In the annexes……, we present solutions for three land locked countries – Uganda, Rwanda, and Swaziland as we explain how those with international water borders can take advantage. We also look at three non-landlocked countries: Kenya, Tanzania, and DRC (DRC and Sudan have been described landlocked[370] by Ndulu et al 2008[371]).

With their current level growth, do African countries have to compete or cooperate?

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361 Collier, P., (2008:54), The Bottom Billion, New York: Oxford University Press

362 Nkurunziza, D.J., (2012:59), "The Development of African Land locked Countries" in (eds.), Ernest Aryeetey, Shantayanan Devarajan, Ravi Kanbur and Louis Kasekende, The Oxford Companion to the Economics of Africa, 2012; Oxford University Press: Oxford

363 These countries now include South Sudan which seceded from Sudan

364 These are Botswana, Burkina Faso, Burundi, Central African Republic (CAR), Chad, Ethiopia, Lesotho, Malawi, Mali, Niger, Rwanda, Swaziland, Uganda, Zambia, Zimbabwe and South Sudan

365 UNDP (2011:3), Regional Integration and Human Development: A Pathway for Africa. New York: UNDP.

366 These countries now include South Sudan which seceded from Sudan

367 UNDP (2011:3), Regional Integration and Human Development: A Pathway for Africa. New York: UNDP.

368 Nkurunziza, DJ., (2012), "The Development of African Land locked Countries" in (eds.), Ernest Aryeetey, Shantayanan Devarajan, Ravi Kanbur and Louis Kasekende, The Oxford Companion to the Economics of Africa, 2012; Oxford University Press: Oxford

369 UNDP (2011:3), Regional Integration and Human Development: A Pathway for Africa. New York: UNDP.

370 For both Sudan and DR Congo, there is limited access by most parts of these large countries, with most of the production and other economic activities take place far away from the international waters. Most traders – importers and exporters – face similar high costs as the landlocked traders face.

371 Ndulu, B., O'Conell, S., Azam, J.P., Bates, R.H., Fosu., A.K., Gunning, J.W., and Njinkeu., D., (Eds) (2008). The Political Economy of Economic Growth in Africa, 1960-2000. Vol. 2. Cambridge University Press.

We need to conclude this part by stating that poor landlocked countries in Africa need a lot of cooperation than competition. As Krugman – the Nobel laureate in economics – wrote about 20 years ago, for countries, competition is a dangerous of obsession; and countries (in his example USA and Japan) don't compete as Coca Cola and Pepsi Cola[372]. Krugman (1994) sees competition being for firms – not countries. For example, competition between USA and China is not like the zero sum game between coca-cola and Pepsi in any market. If one customer buys a can of Pepsi, it is Coca-cola's direct loss. However, the USA and China can both be winners through competition and cooperation, using different but at times complementary sources of comparative advantage. Krugman (1994) identifies three real dangers that could be caused by the current thinking about competitiveness of nations being similar to competitiveness between firms: First, it could result in wasteful spending of government money supposedly to enhance a country's competitiveness. Second, it could lead to protectionism and trade wars. Lastly, it could result in bad public policy on a spectrum of important issues.

There is need for a lot in cooperation between neighbouring countries – it ends border conflicts; becomes a market for other's products; enables them to enjoy the benefits of shared infrastructure (storage, ports, harbours, roads, railways) and so forth. Surely, it will be difficult for example for Uganda or Rwanda, for example, to achieve sustained rapid growth and ultimately development without the cooperation of its neighbours. Hostile neighbours[373] hinder a countries development. Rwanda needs the cooperation and good neighbours in Uganda, DR Congo, Tanzania and Burundi; and Uganda too needs the cooperation and good neighbours in Kenya, Tanzania, Rwanda, DR Congo, and South Sudan. Luckily Rwanda and Uganda, Kenya, Tanzania, and Burundi are members of the EAC regional bloc – but this is not enough neighbouring countries (especially landlocked) have to genuinely establish closer bilateral cooperation and good relations.

Population health and education matters to growth and development

Population matters to growth and development

First the quality and health of the population matters a lot. We should look at population from two angles: i) the quality and ii) the numbers of the people. There are divergent views about

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[372] Krugman, P. (1994), "Competitiveness: A dangerous Obsession", Foreign Affairs 73 (2)

[373] Rwanda currently has relation issues with Tanzania, and is facing hostility from DR Congo – which hosts remnants of former Rwandese military. Uganda sees Eastern DR Congo as home of Uganda rebels – the Allied Democratic Front (ADF) rebels – an outfit with fundamental Islamic beliefs allied to Al Quada.

the consequences of population on economic growth and development. Whereas some view rapid population growth as a serious problem, others instead assert that it is positive for growth. International evidence on the relationship between rapid population growth and economic growth is inconsistent because the underlying parameters and assumptions vary in different countries, depending, among other factors, on the country's level of development and the 'quality' of the population.

In development studies, 'quality' of population can be defined in terms of levels of health, education and income. For the sub-Saharan countries, which have a disease burden and high mortality rates, and where growth and productivity depend on human labour, the size of the population is important[374]. Japan and later China began to grow rapidly and at a sustained rate when they put in place population control policies. China put in place the one child policy. Though it has been widely criticized for various reasons including several abortions in order for families to produce a boy, it controlled the numbers of the people that would currently be in the part of the world. China currently has around 1.3 billion people (Africa has around 1.03 billion[375]). Simple calculation would have shown that after more than 30 years of no control, with families in rural areas producing around 2-3 children the current population would have been above 2 billion. China is indeed the known example of a country that grew with a big population. Yes it had a big population that it sought to maintain. Indeed the population would have been bigger without control.

Compared to china, Africa as continent has got almost the same size of population. China is now advanced and Africa as a continent is not. So does Africa lack a population to exploit its resources? The answer is yes and no. It is yes meaning that the quality of the population judged at levels of skills and technology, and health is low. It is no because in terms of absolute numbers the population is big. It is bigger than that of USA at around 308 million. USA is developed and Africa is not.

The '*Demographic dividend'* has been identified as important for growth. Demographic dividend is defined as a rise in the rate of economic growth as a result of a rising share of working age people in a population. This situation occurs with a falling birth rate and the consequent shift in the age structure of the population towards adult working ages. It is commonly viewed as a demographic gift or bonus and demographic window. Bloom and Canning (2000) describe the "Demographic dividend. "The transition from high to low rates of mortality and fertility has been dramatic and rapid in many developing countries in recent

374 Quoting Twineyo-Kamugisha (2012:83). Why Africa fails. Cape Town: Tafelberg.
375 See African Development Bank (2011), African Economic Outlook: Africa and its Emerging Partners.

decades. Mortality declines concentrated among infants and children typically initiate the transition and trigger subsequent declines in fertility. An initial surge in the numbers of young dependents gradually gives way to an increase in the proportion of the population that is of working age" Bloom and Canning (2000:1207)

However, a population that is vital for enhancing growth and productivity – as a demographic dividend - is a 'quality' population. One that is educated and skilled, and healthy. Health population will work hard because they know that living long requires for more savings (postponed current consumption). Bloom and Canning (2000), better health results in greater income in future. With regard to productivity, healthier populations tend to have higher labour productivity, because their workers are physically more energetic and mentally more robust (Bloom and Canning 2000:1207).

Health is an important form of human capital. It can enhance workers' productivity by increasing their physical capacities, such as strength and endurance, as well as their mental capacities, such as cognitive functioning and reasoning ability (Bloom and Canning 2005:2)[376]. They also state that higher income gives greater command over many of the goods and services that promote health, such as better nutrition and access to safe water, sanitation, and good quality health services Bloom and Canning (2000:1207).

We note that in this region, at family level, with the current poverty predicament, the big numbers of children without quality education and health is a recipe for future disasters such as unemployment, conflicts and wars. More children mean more dependency on their poor parents. It means poor future opportunities for such children.

Education and skills are important

Education is important in poverty eradication efforts. According to Bloom and Canning (2000:1207), a healthy and educated workforce acts as a strong magnet for foreign investment. Increased schooling promotes greater productivity and, in turn, higher income. Good health also promotes school attendance and enhances cognitive function. In so far as increased savings lead to increased investment, the educated (after getting work), will have access to more capital and their incomes will rise. We have already pointed out in this book that giving education and skills to the children of the poor is one key way of ending chronic poverty in the future of developing countries. For the rich, they can afford the type and

[376] Bloom, E,D., and Canning, D., (2005), "Health and Economic Growth: Reconciling the Micro and Macro Evidence", CDDRL Working Papers, Number 42,Center on Democracy, Development, and The Rule of Law Stanford Institute on International Studies

quality of education that they want for their children. Education should be tailored to the requirements of the growth of the country. Talking about Africans and Asians and the development in East Asia, Easterly (2006)[377] writes that Asians pressed emphasis on mathematics and engineering sciences while Africans concentrated more on liberal arts or humanities.

Skills type of education is more pertinent to the needs of developing countries. As the country embarks deliberately on growth, it requires such trades and skills as welders, plumbers, electrician, agricultural mechanics, brick layers and masons, among others. You don't need to train oil exploitation engineering, supply chain management and law if you don't have oil in your land. Priority spending will require focused expenditure on society's needs.

To conclude this section, we quote a study by the IMF staff, Tsangarides et al., (2000:1)" simply focusing on economic growth as a strategy to lower poverty may actually leave the poor worse off relative to the average population". They mention "a set of policies and conditions which are super pro-poor, namely lower inflation, lower government consumption, higher levels of financial sector development and higher educational status"[378].

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[377] Easterly, W., 2006. The white man's burden: Why the West's efforts to aid the rest have done so much ill and so little good. Penguin Press.
[378] Tsangarides, C.G., Ghura, D., and Leite, A.C., (2000:1) "Is Growth Enough? Macroeconomic Policy and Poverty Reduction", IMF Working Paper No. 02/118.

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Capital Solution

The high cost of credit is slowing growth of most African SME's. Land is one of key assets for most in these SSA countries. Yet land laws are blocking private equity flow into the regions agribusiness. The cheapest loan scheme that a commercial farmer can acquire is at 10 per cent interest. FDIs find that Africa is not attractive because of image.

There is need to address the capital question. How? We propose some of the ways.

Land tenure reform: Land tenure may be defined as the terms and conditions on which land is held, used and transacted. Land tenure reform refers to a planned change in the terms and conditions e.g. the adjustment of the terms of contracts between land owners and tenants, or the conversion of more informal tenancy into formal property rights[379]. It is fundamental to secure people's rights to land. According to ODI(1999:2), land rights include Land rights may include: a) rights to occupy a homestead, to use land for annual and perennial crops, to make permanent improvements, to bury the dead, and to have access for gathering fuel, poles, wild fruit, thatching grass, minerals, etc.; b) rights to transact, give, mortgage, lease, rent and bequeath areas of exclusive use; c) rights to exclude others from the above-listed rights, at community and/or individual levels; and d) linked to the above,

[379]Adams, M., Sibanda, S., and Turner, S., (1999), "Land Tenure Reform And Rural Livelihoods In Southern Africa", Natural resources Perspective, ODI, No.39, 1999, p.2

rights to enforcement of legal and administrative provisions in order to protect the rights holder.

The land policies and laws need to be changed in favour of using the land titles as collateral security for bank loans. It should be possible for venture capitalists to jointly invest in land with the land owner. Where absentee land lords exit, land should be bought by government and sold through a financial institution to the people. There should be a harmonious relationship between landlords and tenants. For example there should be clear policy on ownership of land. While landlords (with a land titles) should not sell to others without the knowledge of the tenant(s), the law that permits landlords and tenants as joint owners of the same land may be restrictive of investment using such land. The law that creates two owners makes the land title less of a collateral security. In most African countries many people have capital without rights to it. De Soto calls this 'dead capital'. They own land, but have no land title. So they cannot get loans from the banks because they have no collateral security[380].

Property rights: Property rights for all properties including land are important. People need rights to what they own. A titled property can be used to obtain a loan. This loan can be used to invest in some kind of business. Corruption must be fought in the process of granting business and land titles. Establish a credible agency for the registration of titles. Hernando de Soto, a renowned Peruvian development economist, insists that it is mainly excessive costs, government regulations and corruption in areas such as business startup, granting of business permits and land titles that have forced people to be tied to the informal sector (De Soto, 2000)[381].

Local investments need predictable and supportive policies and laws: African countries need to create enabling environment for business to thrive. This enabling environment includes supportive policies, laws, regulations, and administrative issues. There may be good policies and regulations but are not implemented or laws that are not enforced. Some of the most important policies are laws are those to do with investment codes, competition policies, companies Act, migration and citizenship. For example, in some countries, there is no clear and standard modus operandi for supporting local investment. From time to time some investor will be given government support without a clear legal regime. While we should not argue for government supporting investors, we note that in countries suffering chronic invest funds and with high bank interest rates, there may be need

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[380] Twineyo-Kamugisha (2012:119)
[381] De Soto, H., 2000. The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else. New York: Basic Books.

to support a key investment that is important to the economy not just the regime in power. This addresses the market failure in obtaining cheap loans for investment. We also confirm that the EU not only supports some investors but subsidies both the domestic famers and gives export subsidies under CAP. So this will not be unique. Cited in Twineyo-Kamugisha (2012:100), competitiveness guru, Michael Porter asserts that providing direct subsidies to firms has been a prominent tool used by governments to attempt to influence factor cost and otherwise shape the competitive advantage of nations. We should note that subsidized capital, subsidized exports and direct grants are employed by nearly every nation in one industry or another. South Korea, like Japan, progressed to the investment-driven stage through a system whereby government borrowed and channeled scarce capital, at subsidized rates, to selected industries[382].

Attract foreign direct investments (FDI): FDI[383]to SSA have increased recently, with net private capital inflows increasing from US$35.8 billion in 2009 to an estimated US$41.1 billion in 2010 and were projected to rise to US$48.6 billion in 2011 (World Bank, 2011). However, compared to rest of the other parts of the world, Africa still receives less FDI (whether in percentages or absolute numbers). In 2010 East Asia attracted 7 times more FDI than the whole of Africa. During this year, Latin America & the Caribbean attracted 4 times more FDI than Africa. Two years later (2012), East Asia attracted 6.5 times more FDI than Africa, while Latin America& the Caribbean attracted around 5 times more FDI than entire Africa[384].

FDI are important for capital injection into the economy. They are also important for technology transfer. They are needed for markets. FDI can help boost economic growth such as creating employment, boosting incomes of those employed and becoming markets for SMEs and farmers when regulated. FDIs are at times markets for own production in Africa, and a times for others producers in Africa. They can open up new sectors. Until 1993, Uganda did not have flower farms but investors came in and established them. Flowers are currently

382 Twineyo-Kamugisha (2012:100). Why Africa Fails. Cape Town: Tafelberg.

383The IMF (2004) defines foreign direct investment enterprise is "as an incorporated or unincorporated enterprise in which a foreign investor owns 10 per cent or more of the ordinary shares". Related to the IMF definition, Feldstein (1995:43) explains FDI as follows: Companies make direct investments abroad by acquiring existing business assets of foreign companies, by starting new businesses with "green field" investments in plant and equipment, and by increasing their investments in foreign businesses that they already own. These foreign investments can be either wholly owned by the parent company or owned jointly with foreign partners.

384 Analysis based on data from "World Investment Report 2013" (http://unctad.org/en/PublicationChapters/wir2013ch2_en.pdf (accessed on 11/9/2013))

one of the major non-traditional exports to Europe and Japan. They however, need assurances on political risks, security, peace and clear and transparent economic policies, and an independent judiciary. When not regulated, they can become funnels for illicit financial flows. There is a claim that politicians use them for sending abroad moneys from corruption. There has to be protection of legal immigrants and penalties for illegal ones. Those FDI that abuse the immigration and labour laws should be severely punished, and have some of their executives deported with those illegal.

Tax competition and FDI: In the globalized world of today, most countries are trying to promote growth by attracting foreign direct investments into their jurisdictions. Tax competition has been used by both OECD and developing countries in their efforts to attract foreign direct investment (FDI). Tax competition uses tax incentives to attract FDI into their countries. Tax competition has been defined by different writers. Griffiths and Klemm (2004:4), refers to tax competition as the phenomenon that countries lower their corporate income taxes in order to attract the real activities of firms[385].

Countries give tax incentives as a way of tax competition. Klemm and van Parys (2010:2) describe tax incentives as: Governments try to reallocate or attract domestic and foreign capital using tax incentives that give a more favorable tax treatment to certain economic activities. Common examples of this practice are reduced corporate income tax rates, temporary exemptions on corporate taxes (tax holidays), tax deductions through tax credits or investment allowances, etc. Most countries that engage in tax competition offer corporate income tax (CIT) holidays. CIT holidays are commonly referred to as the lowering of a country's tax burden relative to foreign jurisdictions in order to attract foreign direct investment (FDI) (Nasser 2008:3).

There is horizontal tax competition where the competition is for companies, capital and labour into a country's jurisdiction. Tax competition can take different forms[386] based on the goals

[385] There is also competition for taxing rights, i.e. competition for having profits reported in a particular country, without any associated movement of production (Griffiths and Klemm 2004:4).

[386]Talpoş and Crâşneac (2010:2-3) According to the government goals and objectives, tax competition takes the form of attracting Foreign direct investments; Portfolio investments, highly mobile financial capital, essential for financing the local companies and strengthening the local financial markets; internal financial flows within the multinational companies that can be lured to own jurisdictions by attracting those corporate units used for international transfer of profits; cross border shoppers, especially for those products subject to excise taxes, when there are significant differences in the level of those excises; and high skilled labor, characterized by high mobility.

and objectives of the host country, its tax instruments and the levels of hierarchical relations between the public authorities.

Tax Incentives given to FDI: Tanzi and Zee (2001) give five main types of tax incentives that are regularly used by countries during tax competition. These are tax holidays, tax credits and investment allowances, accelerated depreciation, investment subsidies, and indirect tax incentives. UNCTAD (2000:19-22) has come up with a list classifying tax incentives as: reduced corporate income tax rate; loss carry forwards; loss carry forwards; investment allowances; investment tax credits; reduced taxes on dividends and interest paid abroad; preferential treatment of long-term capital gains; deductions for qualifying expenses; zero or reduced tariffs; employment-based deductions; tax credits for value addition; and tax reductions/credits for foreign hard currency earnings.

Griffiths and Klemm (2004) have identified the tax incentives used by both OECD and developing countries and rated them according to how much they are used. They show that developing countries reduce taxes as incentives to attract FDI.

Explaining how tax competition affects FDI: Countries offer tax incentives in order to realize more FDI inflows. The assumption is that FDI are attracted to a country which reduced tax burden. A lesser tax burden reduces the costs of production for the FDI. Holding other factors that affect the price of a product or service constant, reduced cost of production is likely to result in low prices for a company's offers. Such a company will sell more and ultimately realize high turnover and high profitability. This is only in a case where FDI will be used for exporting, and where the gain is passed onto consumer, which may only be very partial so long the reduced tax burden allows the firms to keep an edge on competition. While this does not explain the attraction of tax competition in countries aiming at developing sectors for diversifying their economies.

Consequences of tax competition on government revenue: The impact of tax competition as a way of attracting FDI on a country can be classified in six categories: revenue loss, welfare effects, equity, democracy, discretion and corruption, and national sovereignty in tax matters.

Benefits of tax competition on government revenue

Countries offer tax incentives to FDI so that ultimately the FDI inflow brings in capital, technology, knowledge and skills. Export oriented FDI will bring in export receipts (foreign exchange). According to OECD Policy Brief (2008), FDI can be beneficial to a host country.

The potential benefits of FD may include generating new jobs, bring in new technologies and, more generally, promote growth and employment. The resulting net increase in domestic income is shared with government through taxation of wages and profits of foreign-owned companies, and possibly other taxes on business e.g. property tax. FDI may also positively affect domestic income through spillover effects such as the introduction of new technologies and the enhancement of human capital (skills). (OECD Policy Brief 2008:1). However, Van Parys and James (2010:2) find evidence in a sector focused study of tourism[387] in the Caribbean.

Accounting for other factors driving tourism FDI in this region, we find that tourism investment in Antigua and Barbuda after 2003 increased significantly more than investment in the other six ECCU countries due to the tourism tax incentives reform (Van Parys and James 2010:2). A recent study by Klemm and Parys (2010:21) has observed the following: i) In Latin America and the Caribbean lowering the tax rate or extending tax holidays helps to attract FDI, but not in Africa. ii) They also observe that with regard to the CIT rate and the tax holiday, lowering the tax burden has a significantly bigger impact on FDI in Latin America and the Caribbean than in Africa; and iii) The impact of tax incentives of investment in Africa is even insignificant. This is due to the fact that the investment climate in Africa is considered too risky/unstable and therefore granting tax incentives is not enough alone to attract FDI.

Negative Consequences of tax competition on government revenue

Literature lacks empirical data on the positive effect of tax competition on government revenue. Existing empirical evidence shows more negative consequences (including revenue loss) of tax competition for developing countries[388]. Klemm and Parys (2010:3) write that with regard to the potential benefits of higher investment and related spillovers, there seems to be little empirical evidence about the impact of tax incentives on investment in developing countries. However, governments continue to provide such tax incentives for FDI. Although policy makers continue to support tax holidays as important in attracting foreign direct investments, the consequences of FDI have been questioned. As Vuksic (2007:3)puts FDI inflows are often associated with additional beneficial effects such as increased employment, enhanced management skills, knowledge in general, new technologies, higher wages and

[387]This study is one of the first to assess the impact of sector specific tax incentives on investment in developing countries (Van Parys and James, 2010).
[388] Tax competition seems to also negatively affect tax revenue in the OECD.

access to export markets. Admittedly, the empirical evidence of all these potential consequences of FDI is not equally convincing.

There can be losses of tax revenue due to tax competition. According to Nasser (2008:3), while trying to diversify their economies and reduce dependency mainly on agricultural products of bananas and sugar, the Caribbean countries have over last 20 years been using tax incentives to attract FDI in the commercial sector particularly for tourism. This has resulted in fiscal deficit and debt overhang. There can be tax revenue losses because the incentives exempt even direct taxes such as CIT and personal income taxes on the key foreign staff that is employed to start the new enterprise in the host country. Revenue losses from corporate income tax (CIT) holidays affect the tax base. The tax base is narrowed. Nasser (2008) in a study of 15 countries in the Caribbean proposes that granting of subsidies be avoided. The findings suggest that the authorities should either avoid granting CIT holidays or rely more on other taxes including consumption taxes such as the value-added tax in order to broaden the tax base. Nasser (2008:1).

There are also exemptions on import–related taxes. Chai and Goyal (2005) found that overall revenue losses from concessions on import–related taxes and the CIT ranged between 9.5 and 16 per cent of GPD each year; and this was a revenue loss ranging between 30 per cent and 70 per cent of current revenue. With regard to exemptions from import duties and taxes, they also found that revenue forgone was very large. It has exceeded 8 per cent of GDP annually and has been increasing over the last decade.

This is a big loss of revenue. This explains why some of these countries continually depend on foreign aid and have debt. Loss of government revenue accounts for lack of good infrastructure, health and education facilities and other public goods in developing countries.

Tax competition discriminates against domestic investors who are usually faced with stiff competition from FDI. Domestic investors are usually small and obtain credit locally at a high interest rate. They also buy local raw materials at high prices. They are seldom given tax relief, tax holidays and subsidies. Their cost of production is high and they fail to create jobs and boost domestic economy.

According to Nasser (2008:6), empirical evidence has not been supportive of significant effects of tax policy on investment. He also asserts that these incentives are also prone to and have been abused. Tax incentives can be abused by existing enterprises disguised as new ones through nominal re-organization[389](Tanzi and Zee 2001:6). The FDI can re-establish as new enterprises and enjoy the tax benefits afresh. This will cause loss of revenue to government. Chai and Goyal (2005:83), CIT holidays as tax incentives increase the potential of tax avoidance through transfer pricing. Indirect taxes (such as import – related tax exemptions) are much prone to abuse.

When tax incentives are granted in form of CIT holidays, the profits will be exempt irrespective of the amount. This will benefit investors with high profit who on their own would have managed to invest without government incentives. Data available shows that a number of OECD economies with large domestic output markets and strong FDI inflows e.g. US, Japan and Germany, have relatively high corporate tax rates (OECD Policy Brief (2008, p.3). Therefore, FDI into the developed or developing countries is not solely based on tax competition. According to OECD Policy Brief (2008:1), while tax is recognized as being an important factor in decisions on where to invest, it is not the main determinant. FDI is attracted to countries offering: access to markets and profit opportunities; a predictable and non-discriminatory legal and regulatory framework; macroeconomic stability; skilled and responsive labour markets; and well-developed infrastructure (OECD Policy Brief 2008:1).

Studies have found out that what matters most to FDI inflows into developing countries, for example, are mainly the good and fair laws on investment and property rights protection, market, cheap labour, good transport infrastructure, political stability, and non-corrupt public servants. Tanzi and Zee (2001), foreign investors base their decision to enter a country on such factors as natural resources, political stability, transparent regulatory systems, infrastructure, and a skilled workforce.

What is critical for attracting FDI to Africa?

Ajayi (2006) and Ajayi (2012) cited in Aryeetey, et.al 2012) presents a survey (by Ajayi, 2004) of evidence on determinants of FDI in Africa. Some are similar to those in the OECD. They include the size of the market and growth; costs and skills; the availability of good infrastructure; country risk, openness of the economy; institutional environment; availability of natural resources; concentration of other investors (agglomeration economies or effects);

[389] This has happened in Uganda. After enacting the Investment Code 1991, Uganda established Uganda Investment Authority (UIA) to license, facilitates, and promotes investment – mainly FDI. It has no capacity to follow up on all the investments and projects and so some FDI – after enjoying tax benefits say for five years, re-establish as a new entity and begin enjoying these benefits afresh. There is evidence at UIA. (The Republic of Uganda: 1991 "Investment Code Act, Cap 92")

return on investment; enforceability of contracts and transparency of the judicial system; and macroeconomic stability.

He presents that what matters for attracting FDI into Africa is creating a friendly environment. This friendly environment for attracting FDI include policies and institutions that remove excessive regulation, protecting and enforcing property rights, fighting corruption, improvement in the quality and availability of infrastructure, and the need for political stability[390]. Political stability weighs a lot in terms of attracting or discouraging FDI. FDI are reluctant to move into a war zone. Some countries in are Africa can literally be described as permanent war zones. Chai and Goyal (2006)[391] quoting general survey and regression evidence found out that after all tax concessions are not key determinants that make FDI choose a certain location as the investment decision. They found that FDI key determinants are included factors such as telecommunications, power supply, political stability, a favourable attitude towards FDI, and labour productivity[392].

Overall, there negative consequences of tax competition especially for developing countries. Instead of generating jobs, paying taxes, producing exports, and enhancing economic growth, FDI are exempt from taxes through tax holidays. These tax holidays reduce government expenditure. We should therefore recommend an enabling and friendly FDI environment instead of tax incentives. Tax incentives to FDI should be removed. Existing literature does not show that, once removed FDI inflows will reduce or cease. Large multinationals can afford to invest where they perceive a potential market that can boost their profitability.

Tax incentives are also not the main determinant of FDI inflow into a country. Countries should ensure a good institutional, stable political and macroeconomic environment in order to receive more FDI. This explains FDI inflow into OECD even when these countries have

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390 Ajayi, S, I., (2012). "Foreign Direct Investment in Africa: What Do We Know?" In: Aryeetey, E., Devarajan, S., Kanbur, R., and Kasekende, L., (eds), 2012 The Oxford Companion to the Economics of Africa. New York: Oxford University Press 321-328.

391 Chai, R., and Goyal, J., (2006), "Tax Concessions and Foreign Direct Investment in Eastern Caribbean Currency Union", in Shay, R., Robinson, D.O., and Chasin, P., (eds) The Caribbean: From Vulnerability to Sustained Growth (Washington D.C: International Monetary Fund) pp.258-84; and Chai, R., and Goyal, J., (2008), "Tax Concessions and Foreign Direct Investment in Eastern Caribbean Currency Union", IMF Working Paper, WP/08/257.

392 "Labour productivity is commonly defined as a ratio of a volume measure of output to a measure of input use". FREEMAN, R., (2008):"Labour Productivity Indicators: Comparison of Two OECD Databases; Productivity Differentials & the Balassa-Samuelson Effect." OECD Statistics Directorate, Division of Structural Economic Statistics. July 2008.

high corporate taxes. More importantly, to provide an enabling environment for FDI through good policies, property rights protection, security and safety of persons. Each developing country needs an empirical research to understand and rank key FDI determinants. Developing countries should seek to work as a regional bloc and become a sizeable regional investment hub and attractive market by GDP per capita, purchasing power parity to FDI instead of establishing individual country tax incentives. When an individual country offers attractive tax incentives, its neighbors, and indeed other countries, may retaliate by offering better benefits and compete more favourably.

Some uneasiness with FDI inflow to SSA by local investors and citizens: There is a feeling among the citizens and mostly the domestic investors (most of whom are small that these FDIs are not FDI in themselves (at times they are not wrong) but 'dirty money' including money laundering by politicians. They steal the money and bank it abroad and hire in (most cases) an Indian who comes to a SSA country and claims that they are investing. They are given generous FDI tax incentives such tax exemptions and tax holidays. After the expiry of the tax exemption period, they close the company and establish a new and begin enjoying tax exemptions. Ultimately the government loses taxes, and there aren't many jobs created because these investors come with almost every worker for every trade including cleaning and sweeping. There is no streamlined approach of offering incentives. They also feel that FDIs are treated better than local investments.

The cause of this unease is due to government's failure to be impartial and also implement the investment codes or laws that offers clear path of how tax incentives are given. In Africa, selective support to loyalist members of the private sector and obstructing the market is common. This is bad and distorts the markets. It is generally recognized by economists and other development experts that markets suffer market failures because of lack of information by all players. There is information asymmetry. It is however, important for government to ensure that state interventions are temporary and that the regulatory framework does not hinder the private sector.

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Attract remittances and use them for investment not consumption
These can be easier to obtain once there is a transparent mechanism of encouraging them to go back to their home. They know their countries well. China has been able to attract its diaspora to invest their remittances in China. Current evidence shows that remittances to Africa are becoming an important source of capital, second to FDI. In 2010, according to a joint report and fact sheet, *Leveraging Migration for Africa*[393], Africa received US$40 billion, equivalent to 2.6 per cent of the continent's total GDP, with SSA receiving half of this amount at US$ 21.5. Remittances to SSA have been rising and were estimated at US$ 32 billion in 2013; and these flows are estimated to rise to US $ 41 billion in 2016[394]. Lack of data on remittances by about half of SSA makes report of the amount of remittances inflows difficult[395]. For example countries that known to receive big amounts of remittances such as DRC, Central African Republic, Zimbabwe, and Somalia does not have data reporting remittances. The report also shows that in this region, cross-border flows via such institutions

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[393]The World Bank (2011:34), "Migration and Remittances Fact book 2011 2/Edition; World Bank & African Development Bank; and The World Bank and African Development Bank (2010:4), *Leveraging Migration for Africa: Remittances, Skills, and Investments,* The World Bank.

[394] The World Bank (2014), "Remittances to developing countries to stay robust this year, despite increased deportations of migrant workers" (Available at http://www.worldbank.org/en/news/press-release/2014/04/11/remittances-developing-countries-deportations-migrant-workers-wb (accessed on 11/9/2014)

[395]The World Bank (2011:34), "Migration and Remittances Fact book 2011 2/Edition; World Bank & African Development Bank; and The World Bank and African Development Bank (2010:4), *Leveraging Migration for Africa: Remittances, Skills, and Investments,* The World Bank.

as post offices, savings cooperatives, microfinance institutions and mobile money transfer services are not captured. However, the actual figure for the region may be more because of a lack of data on remittances in most countries in the region. Some countries have no data available on remittances.

It is important how remittances are used. They should be used mainly for investment. One of the governors of the central bank in SSA, Uganda, stated that more of the remittances are used for consumption[396]. Quoting Uganda Bureau of Statistics and Bank of Uganda, he stated that the recipient households use remittances to support general household expenses and education - that 81 per cent of remittances was used on consumption, 16.9 per cent on non-consumption purposes and 2.3 per cent was transferred to other households[397]. The government needs to set up an agency to encourage remittances and ensure that they are invested – not consumed by relatives. Deliberate government policy and agency to support diaspora investment is necessary. Some countries have taken steps to help their diaspora contribute to their home countries. Jamaica and India have created separate ministries for diaspora affairs. China has established diaspora assistance agencies at provincial and municipal levels. Ghana has established a separate department at its national investment-export promotion agency to handle non-resident Ghanaian or diaspora.

Promote value added exports: Trade matters whether it is socialist China, market economy of Europe and USA, or the mixed economies of Africa. Africa's total exports have accounted for only less than 3 percent of both total world exports and imports. It has to change. There has to be a deliberate effort to promote exports. Asian miracle shows that these countries grew by increasing exports. This was however not accidental. They deliberate worked with the private sector as sometimes supporting businesses financially. We may look at it as the constructive role of the state in promoting trade and investments. Chile played this role when it was promoting the new ventures as in the growth of the salmon industry,

[396] Tumusiime-Mutebile, E., (2014), "How to convert $800 million sent home by Ugandans living abroad into FDI", The East African, Saturday, February 1 2014 (Source: http://www.theeastafrican.co.ke/OpEd/comment/How-to-convert--800m-sent-home-by-Ugandan-diaspora-into-FDI-/-/434750/2169004/-/oa5920z/-/index.html (accessed on 11/9/2014).

[397] Tumusiime-Mutebile, E., (2014), "How to convert $800 million sent home by Ugandans living abroad into FDI", The East African, Saturday, February 1 2014 (Source: http://www.theeastafrican.co.ke/OpEd/comment/How-to-convert--800m-sent-home-by-Ugandan-diaspora-into-FDI-/-/434750/2169004/-/oa5920z/-/index.html (accessed on 11/9/2014).

and China promoted efficient Special Economic Zones[398]. There are various ways to deliberately support exports.

i) Establish and strengthen the export promotion agency with competent manpower and supported financially. This public agency will help the majority small and medium enterprises with information on how and where to export. Where possible raise the profile of CEO of that agency to that of a senior minister so that they have the power to influence technically and politically. Where it has been done it Africa, at least there has been quite some improvement in exports[399].
ii) Subsidies some key exports: This is unpopular with free market ideology yet is done in the EU and USA. In the US and EU, there are subsidies to agriculture and export subsidies. This requires some funds by government but if exports were to grow, this money would be recovered by taxing the value chains and supply chains. Exports would also bring in export receipts to offset the gaps in foreign exchange requirements. Support to strategic enterprise and sectors will see countries move in growing direction. This is not to call for 'planned economies' because other are doing it or did it from Japan, EU, USA, South Korea, and China among others. There are be set up kind of strategic exports refinance scheme that offers finance at cheap rates. As the competitiveness guru, Michael Porter, found out providing direct subsidies to firms has been a prominent tool used by governments to attempt to influence factor cost and otherwise shape the competitive advantage of nations. He found out that subsidized capital, subsidized exports and direct grants are employed by nearly every nation in one industry or another. South Korea, like Japan, progressed to the investment-driven stage through a system whereby government borrowed and channeled scarce capital, at subsidized rates, to selected industries[400].
iii) Undertake deliberate campaigns to attract investments that are export oriented. This requires the government through its export and investment promotion agencies to carefully do research and identify potential companies that can invest in export-oriented industries. In Zambia, Uganda, and Kenya, the demand for flowers are too small almost close to zero but these countries have flower firms that were established for and are exporting.
iv) Export promotion zones (EPZ): this has been known ever since the Asian miracle. The only problem has been government's commitment to establishing and strengthening

[398]Nankani,G., (2012:218), "The Political Economy of Growth in Africa" in (eds.), Ernest Aryeetey, Shantayanan Devarajan, Ravi Kanbur and Louis Kasekende, The Oxford Companion to the Economics of Africa, 2012; Oxford University Press: Oxford
[399] Kenya's head of Export Promotion Council is at a government rank of senior cabinet minister.
[400] Porter, M., (1990). The Competitive Advantage of Nations. The Free Press

them. We note that Kenya has an established EPZ (may be partly explaining why it better at industries than others in the region). Within the EPZ there should established necessary infrastructure, and support agencies to promote exports.

v) Regional integration: This is very important. Most African countries (whether landlocked and/ or resources or water bordering and resource rich) are small with most populations that have low purchasing power, and little ability to invest and trade. With integration, it will enable countries to undertake joint projects to address the infrastructural challenges that increase transport costs for both exports and imports. There will be removal of intra-trade taxes which itself promotes exports. It will promote good neighbourliness and reduce tensions that are common in Africa along the borders with neighbours. It should be noted that the size of the countries can now not be changed but regional integration will expand the region's population and market.

vi) Depending where you belong ideologically, this is still on debate: encourage cooperatives are business unit bringing together majority peasants and small producers together. Cooperatives, where they have worked and we had them in Africa, help with obtaining for members the right seed, advice on agricultural husbandry, bulking and storage, and marketing. They tend to assure the producers of price and eliminate many non-value adding middlemen.

vii) This is a bit difficult but can nonetheless be tried. Aggressive campaign to encourage export-oriented culture among the business community. It is common in majority businesses in African countries (such as Uganda, Tanzania, Zambia, Malawi, Rwanda, DRC, and Nigeria among others are import traders, and less interested in exporting. Importing is slightly easier and exporting is both a big commitment and a process requiring analysis and market research in target markets.

viii) Government to provide public goods – goods that are non-excludable for all members of the society: roads, railways, ports, airports, education and health, and basic research. As Stiglitz says, society requires collective action, the country acting together to make these investments. The broad societal benefits that flow from them cannot be captured by any private investor, which is why living it to the market will result in underinvestment (Stiglitz 2012:93). Government-sponsored research in US universities and agriculture extension services contributed to increases in agricultural productivity in earlier decades[401]. Today, government-sponsored research has promoted the information technology revolution and advances in biotechnology[402]. As has been said, the development of African landlocked – and we think all other developing African countries

[401] Joseph Stiglitz (2012): The Price of Inequality. W.W. Norton & Co., Inc.
[402] Joseph Stiglitz (2012): The Price of Inequality. W.W. Norton & Co., Inc.

will necessarily require better political system that reduce inequalities and promote overall human development[403].

ix) Agriculture is still around and should therefore be modernized: This is a fact. Agriculture is still important to the economies of most African countries. Agriculture growth is directly effective for aggregate growth simply because it is such a large sector of the economy, accounting on average for 30 per cent GDP (when South Africa and a few mining countries are excluded)[404]. de Janvry and Sadoulet (2012:70) state the case for agriculture and argue that in spite of the desire to move on to growth based on a large scale farms, modern industry (as in China), and modern services (as in India), agricultural growth remains quintessential to the development of Sub-Saharan Africa; and that structural transformation of the economy, whereby labour is extracted from agriculture to contribute to GDP per capita growth , as successfully done in Asia, has not worked in Africa (de Janvry and Sadoulet 2012:70). In Uganda, for example, while agriculture's contribution to GDP has declined from above 50 per cent to around 20 per cent in 2012, the people employed in agriculture are around 60 per cent of the total population and this figure increases as you to rural areas. Services mainly consumer services - which currently contribute around 50 per cent, employ less than 5 per cent of the total population. The problem in Africa is that while you need commercial farms as there in flowers in Kenya, Zambia, Zimbabwe, Uganda, South Africa, and Ethiopia there numerous peasant and small holder agricultural players scattered all over the rural areas. The people engaged in this agriculture are peasants with very little or no education all with poor health conditions. The argument that when industries are established and urbanization there will be labour migration from rural to urban centres freeing ample land for commercial agriculture is a big hurdle. Coupled with a problematic land fragmentation and failure of land reform, small holder agriculture is still important. To spur growth and employment countrywide, there is no conflict in industries starting in urban centres as the rural areas modernize. It has not yet been reported that industrialization has been dismal because of lack of numbers of people as labourers. It should be noted that 70 per cent of the in Sub-Saharan Africa are rural households, and that agriculture is the source of income and food security for most of them (de Janvry and Sadoulet 2012:70). There is need for productivity growth in small holder agriculture and value chains that support exports. Designing and

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403 Nkurunziza, DJ., (2012:67), "The Development of African Land locked Countries" in (eds.), Ernest Aryeetey, Shantayanan Devarajan, Ravi Kanbur and Louis Kasekende, The Oxford Companion to the Economics of Africa, 2012; Oxford University Press: Oxford

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experimenting with selected entire value chains is relevant and pertinent to improving incomes of the poor. Increased growth and development for these economies will require gradual modernization and introduction of industries that may originally use agriculture as a source of raw materials. Meanwhile, lest we forget, attempts by landlocked countries to try industries that have light exports with more returns and services should be embarked on. Experience has shown that it is possible to achieve an 'economic revolution' or miracle in around three decades. It has happened in China, Singapore, and South Korea (but these were not landlocked).

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National debt management strategy – and reduce aid: governments in Africa should use debt for development expenditure (e.g. roads) but not consumption expenditure. There is a good example where some East Asian countries (Singapore, Hong Kong, and Taiwan) never got foreign debt and yet developed. For a long time, the World Bank has been advising developing countries to "live within your means". This is necessary. There mis-utilization of the scarce resources in some of the African countries. First the government is too big: with so many ministers, senior advisors, and other personal appointees of the head of state. Then the legislature is too big with literally a big village represented in the House or Parliament. While there is no universally agreed on the size of Government in literature and practice (because partly different countries have different sizes of the economy), it is worthwhile to mention that for a poor countries, expenditure on a large political not even the technical part of the public or civil service is wrong and wasteful of the national resource envelope. Service delivery is at the local government, in the small towns, and villages where production takes place, not at the Centre.

It has been found out that some countries leave slightly more than half of the national budget money at the Centre. This implies that most of the annual envelope remains not the service delivery that is vital to the growth of the economy but to service the big government at the Centre. Planning for the available resources from the country tax revenue, and other non-loan revenue source is paramount. First is to plan what the current public revenue will be allocated. Don't make a national issue a priority under the current budget. As Easterly and Irwin (2007) advises, the Government can postpone expenditure to a future fiscal year or bringing forward tax receipts to the current fiscal year. Focused expenditure on the actual priorities will show the actual gap that can be financed from borrowing. With borrowing, the government requires a debt management strategy and a debt management law. The law and strategy will show why, how and where to acquire or procure loans from. These documents will show the modus operandi of repayment. As a rule the loans that are acquired at low interest and will paid after and long a long period are preferred for less developed countries which don't have ample resources to pay earlier.

Make corruption evil: Corruption has got several 'bad tastes' from the listeners and for the image of the country. It misallocates the resources. The 'thieves' for example rarely never use the loot for production, productivity, processing, and exporting that bring in foreign exchange. You see corruption is a rent-seeking sector. An individual can either earn income by adding value (here they become entrepreneurs) or through taking away the value added that someone else has produced (here they become rent –seekers). The cost of rent-seeking activities can be enormous. In India, in 1980, it is estimated that rent-seeking cost the Indian economy around 30-45 percent of total GDP, and this economy's Total Factor Productivity (TFP)[405] by 2 percent per annum between 1950 – 1980[406].

Growth results from innovation and in creating output but 'directly unproductive' rent-seeking[407] lowers a country's growth, and is likely to worsen the conditions of the poor in and economy. There are some forms of rent-seeking activities that are not necessarily illegal or immoral – lobbying, some forms of ethical advertising, and other efficient forms of rent-seeking activities such auctioning of scarce and valuable assets.

We distinguish between public rent-seeking and private rent-seeking. According Murphy and colleagues[408] help us to make the distinction between the two. Private rent-seeking takes the form of theft, piracy, litigation and other forms of transfer between parties[409]. Public rent-seeking is either distribution from the private sector to the state, such as taxes, or from the private sector to the government bureaucrats who affect the fortunes of the private sector (including lobbying, and corruption) [410].

We look at some of the ways directly unproductive' rent-seeking lowers growth, with regard to entrepreneurship. I) it absorbs the labour that would be go into entrepreneurship; ii) act as tax – by earning income from the value added that entrepreneurs create, rent-seekers act as a tax and reduce the supply of entrepreneurs; and iii) where the rewards to rent-seeking are high, the encourages the most talented people to become rent-seekers and this will affect the quality of entrepreneurship in an economy.

Even then corruption gives government money to those for whom it was not planned. There are a lot of illicit financial flows, partly attributed to corrupt money, out of Africa yet Africa is

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[405] Total Factor Productivity (TFP): reflects the influence of any factor that affects output other than capital accumulation or labour input. We can refer to it as that portion of output that is not explained by the amount of inputs used in production.

[406] See Mohammed, S., and Whalley, J., (1984), "Rent seeking in India: Its Costs and Policy Significance", Kyklos, 37, 387-413; and Hamilton, B., Mohammed, S., and Whalley, J., (1988), "Applied General Equilibrium Analysis and Perspectives on Growth Performance", Journal of policy Modeling, 10(2), 281-97

[407] See Baghwati, J., (1982), "Directly unproductive, Profit-Seeking (DUP) Activities" , Journal of Political Economy, Vol.90, No.5

[408] Murphy, M., Shleifer, A., and Vishney, R.W., (1993), "Why is Rent-Seeking So Costly to Growth?", AEA Papers and Procedings

[409] Murphy, M., Shleifer, A., and Vishney, R.W., (1993:412), "Why is Rent-Seeking So Costly to Growth?", AEA Papers and Proceedings.

[410] Murphy, M., Shleifer, A., and Vishney, R.W., (1993:412), "Why is Rent-Seeking So Costly to Growth?", AEA Papers and Proceedings.

the continent that badly requires capital for investment[411]. As Collier (2008:92) says, the most capital-scarce region in the world exported its capital. It is estimated that by 1990, 38 per cent of Africa's private wealth was held abroad. This was a greater proportion than in any other region. It was even higher than the Middle East, where oil wealth and deserts, that tend to encourage investment abroad (Collier 2008:92).

We have already seen a joint report by AfDB and GFI 2013 showing that may be Africa is the net creditor to the world. Part of this money is unfortunately donations from abroad, that is sent back as 'looted' money. Corruption has to be fought. It is war against capital for public services and private sector investment. It features every year in the World Bank's doing business hindrance. It is a subject of corruption perception surveys of Transparency International, and other small NGOs in almost all countries in Africa. Corruption should be made a highly risky undertaking such treason. The punishment for corruption should harsh and live the looter/offender poorer than before he stole. This requires political will from the top. It also requires supported institutions that fight it. We suggest the following approaches to address corruption:

i) Have laws that bite. Most criminals usually escape because of lack of or weak laws. Some analyst and advisor to government once noted the process of separating criminals from genuine humans is so involving that society ends up with Type 2 statistical error largely because lawyers and not the law are in charge. In statistics, Type I error is the incorrect rejection of a true null/initial hypothesis, while Type II error is the failure to reject a false null hypothesis. Type I error is when one concludes that a person is guilty when he is not. A type II error is a false negative when a system fails to convict a criminal when he is actually in the dock[412]. We need harsh laws that penalize the offenders and deter possible criminals.

   We already suggested court application of time value of money. Accordingly, these courts should also have the power to apply the principle of the time value of money. The court should be able to recover (as it were in banking) the principal (amount that was stolen) with interest, taking into account the time period the offender has been

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[411] There is no good corruption, even though some analysts assert that there is one. The Indonesian example that is given in most literature where most stolen was not 'sent' abroad capital flight is known.
[412] Muhumuza, F., (2012:1), "Why Africa Fails: The Case for Growth before Democracy", *Keynote Address (source:* *http://www.twineyo.com/sites/www.twineyo.com/files/Why%20Africa%20Fails%20keynote%20speach.pdf*(accessed on 12/31/2013)).

using the assets or money obtained through corrupt practices. Therefore the individual who stole for example US$100, should refund the principal (US$100) plus (a compound) interest calculated over the number of years the money was embezzled. They should also be charged a higher rate of interest than the normal rate imposed on those borrowing from banks to invest and create wealth (Twineyo-Kamugisha 2012:80).

ii) Establish and strengthen institutions to fight corruption. Institutions refer to a structure or mechanism governing the behaviour of a set of individuals in the exercise of power and making of decisions[413]. Governments have the duty to support and empower the institutions that fight corruption such the police, judiciary, ombudsman and parliament (the legislature)[414]. This can be done by giving them political support, ample resources including funds and fully constituted[415]with required staff and skills[416]. A critical feature of institutions is that they should transcend interests and intentions of individuals by mediating the rules that govern processes and cooperative behaviour. Good leadership namely governance and institutions. The failure to promote these two tenets of leadership has had severe ramifications for growth in Africa by providing wrong incentives that have led to plunder and misallocation of the continent's vast physical and human resources[417]. Governance is the exercise of power and decision-making for a group of people. Good governance happens when the authority and its institutions are accountable, effective and efficient in the business of serving the community[418].

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413 Muhumuza, F., (2012:1), "Why Africa Fails: The Case for Growth before Democracy", *Keynote Address (source:* *http://www.twineyo.com/sites/www.twineyo.com/files/Why%20Africa%20Fails%20keynote%20speach.pdf*(accessed *on 12/31/2013)).*

414 Twineyo-Kamugisha (2012:80). Why Africa Fails. Cape Town: Tafelberg.

415 Institutions without required staff are as good as no institutions at all. See what happened in Uganda where suspects' lawyers won the case on the technicality that the Inspector General of Government (IGG) as an inspectorate was not fully constituted. In Uganda, the IGG Act requires that to be fully constituted and take corrupt offenders it has to have the IGG and 2 deputies. (see "Court stops IGG from prosecuting CHOGM ministers" at http://www.newvision.co.ug/mobile/Detail.aspx?NewsID=630128&CatID=1 (accessed on 12/31/2013))

416 Twineyo-Kamugisha (2012:80). Why Africa Fails. Cape Town: Tafelberg.

417 Muhumuza, F., (2012:1), "Why Africa Fails: The Case for Growth before Democracy", *Keynote Address (source:* *http://www.twineyo.com/sites/www.twineyo.com/files/Why%20Africa%20Fails%20keynote%20speach.pdf*(accessed *on 12/31/2013)).*

418 Muhumuza, F., (2012:1), "Why Africa Fails: The Case for Growth before Democracy", *Keynote Address (source:*

Oil management: There are various studies showing that oil has become curse and using the example of Nigeria. Up to now, Nigeria is embroiled in several conflicts partly because the people in the oil region feel that they have been neglected; and that oil money is being wasted at the centre via corruption. Some past Nigerian leaders have been found to have amassed more revenue via corruption. It is claimed that General Ibrahim Babangida stole not less than US$ 5 billion. In Nigeria, it is also claimed that when some of what the other former president San Abacha was recovered bank from western banks, the family members told the government euphemistically that even then, they (Babangida family) will not be as poor as Dangote. The words usually quoted are "no matter how much the Nigerian government recovers from us, we can never be as poor as Dangote"[419]. Hear this: Dangote is not only the richest man in Nigeria; he is also the richest African. Therefore, the former president's family was saying that even if government recovered some money from, they are still too rich – richer than the richest man in Africa.

Other studies about the possibility that natural resources (including oil) are curse look at DRC. Its first leader was assassinated. Then Mobuto ruled as a tyrant and 'live-large' dictator. He was sent into exile, and his soldier son Kongolo killed. The rebel leader that later became a president who him removed was assassinated. His son the current president faces both 'political and economic poverty' in his country. This is still a country with the highest poverty levels, and almost permanently embroiled in internal conflicts and wars. It has been estimate that it may currently be having around 73 groups engaged in skirmishes and some form of 'rebel' arrangement against the central government. This situation in DRC is bad but it does not necessary mean that natural resources are curse. The problem, primarily, is leadership deficit. We have suggested how to make DRC a successful country supporting the neighbours and the region.

Oil is a non-renewable resource that requires that its current revenue be invested in areas that give greater returns to the future of the country. Prudent management of oil revenues is warranted. Such can also be used to provide modern infrastructure that enhances trade in other sectors and exports. Obsession with oil as the main exports often results in the Dutch diseases where there is dependence on export. The volatility in the price of that one export product causes tremors in the economy. We can mention that Norway has managed its oil revenue prudently and has invested the revenue in modernizing the infrastructure but also

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http://www.twineyo.com/sites/www.twineyo.com/files/Why%20Africa%20Fails%20keynote%20speach.pdf(accessed on 12/31/2013)).

[419] See http://www.nairaland.com/951549/money-recovered-swiss-bank-belonged (accessed on 12/31/2013)

invested in sovereign funds. In Africa, oil and other minerals have not been a curse for Botswana a landlocked country that is regarded as Number 1 on Africa's less corrupt list. Those African countries that have got lucky recently and have fossils that became oil under their country should learn how to manage oil by visiting Botswana and Norway.

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Role of taxation in boosting growth and public accountability: Taxation is important and necessary for growth of an economy. It is also important for political reasons. The government that taxes should also be accountable to the public. As we have seen, one of the 'negatives' of foreign aid is that leaders feel that they are not accountable to the citizens but to the donors. Cited in Joseph and Gillies (2009: 3-4), Moore (2004) suggests that governments that rely heavily on domestic tax revenues have a strong interest in boosting the prosperity of their population. It has also been observed that most governments largely dependent on aid or resource rents may lack such motivation[420]. Although there is no direct expected return or "quid pro quo"[421] from paying taxes both direct and indirect taxes by the citizens, taxes bestow some power to ask their leaders to account for resource allocation and expenditure. In industrial countries, people pay higher taxes but also have got good infrastructure, and health systems. In these economies systems work.

Redistributive taxation systems and reduction in inequality: Redistributive taxes also reduce income inequality. OECD (2008) research shows that application of redistributive tax systems has reduced income inequality in the OECD countries by one-third. The OECD countries are developed and have been able to use direct taxes[422] as a redistributive tool for reducing inequality. These countries rely more on income taxes personal and corporate income taxes in their tax system. In these countries, direct income taxes contribute much more than indirect taxes and the relative importance of indirect taxes[423] to tax revenue is

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[420]Leonard and Straus 2003; and Collier (2007) cited in Joseph and Gillies (2009)

[421]quid pro quo: You don't expect to get a personal direct benefit – kind of you get when you give money in exchange for a product or service (e.g. you for a soda and enjoy it). In Latin, it is 'something for something, or 'this for that'. Kind of 'One turn deserves another'.

[422]Direct taxes include Personal Income Tax (PIT) (e.g. *Pay As You Earn* (PAYE) in some countries such as Uganda), Corporate Income Tax (CIT), property tax, withholding tax, gift tax, and inheritance (or estate) tax.

[423] It is an indirect tax that is imposed on the value added to the product. It is the difference between the value of the output and the value of inputs that were used in the production processes of the output. Inputs in production could include the cost of raw materials, rent, wages and salaries, earnings before tax, interest,

much lower. According to Tanzi and Zee (2001), industrial countries obtain proportionately twice the amount of revenue from income tax than consumption taxes. They have imposed a progressive income tax system. A progressive tax is one where the average rate of tax rises as income rises. This is to say that the proportion of personal or corporate income taken by government in form of taxes will rise as the tax payer earns more. There reverse is true for a regressive tax. According to Li et al. (2001), as a tax code becomes more progressive, one expects marginal tax rates for the wealthy to increase relative to the poor.

Increased reliance on indirect taxes by developing countries: In developing countries, direct taxes have formed as small portion of tax revenue. This is because only a small group of formal employees and companies pay these taxes (that is, personal income tax and corporate income tax). In these countries, there is more reliance on indirect taxes than direct taxes. Indirect taxes can be referred to as those taxes that are paid as a person pays for a good or service. They are part of the price. When one buys those goods or services that have been levied an indirect tax they have to pay the tax[424]. These indirect taxes can be imposed on domestic goods and services. They can also be levied on imports into a country or exports outside of a country. Indirect taxes can also be imposed on goods, services and persons in transit within a country (This can be reclaimed on exit at the final destination port or airport out the country that had charged this tax).Indirect taxes may fulfill the attribute of 'ability to pay'[425] and 'fairness'[426]. Indirect taxes on domestic goods and services include all the taxes imposed on goods and services that have been produced and sold within the international boundaries of the country. Developing countries have relied more on indirect taxes. In some countries such as Uganda, the state relies more on international trade taxes (import duties)[427]. The relative importance of indirect to direct taxes is higher in developing countries. There are reasons why developing countries rely on indirect taxes. First, there is a small formal sector in these countries whose tax contribution to GDP is small. There are a few

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depreciation and taxes. Producers can reclaim from tax authorities the amount of the VAT they have been charged on their inputs.

[424] The common indirect taxes include sales tax, excise tax, and customs duty. Retail sales tax and VAT (Value Added Tax) are indirect taxes usually known as consumption taxes.

[425]Usually customers pay for what they can afford. The indirect tax is inbuilt in the price of the product or service that you are paying for.

[426]These taxes also conform to Adam Smith's four canons of taxation which he proposed in his book, *The Wealth of Nations (1776)*: fairness, convenience, certainty, and efficiency. They also fulfill five principles of taxation that have been presented by Stiglitz (2000): efficiency, administrative simplicity, flexibility, political responsibility, and fairness.

[427] In Uganda, in order to boost export receipts, exports are zero rated for taxes. Zero rated taxes is part of the government's strategy to encourage export oriented FDI into Uganda.

formal business entities and individuals who work in them that pay direct taxes especially personal income tax and corporate income tax. Most people work in the subsistence sector and their incomes are not usually reported to government for tax purposes. There is a big informal sector whose employees or business owners do not pay taxes. Some of the workers in the subsistence or informal sector do not have bank accounts. They keep their incomes at home, with all the risks such as money being stolen or their residence could be burnt by fire. Barter[428] the oldest and mainly outdated means of exchange is still a being used for exchanges in the informal and subsistence sector of many developing countries. Second, progressive income taxes in these countries reduce the incentive for human capital investment among the formal sector employees. The fear of being taxed more heavily as they earn more salaries discourages human capital development. Third, taxing few participants in the formal sector encourages others to remain in the informal sector. The informal businesses refuse to graduate when they feel that they will face heavy taxation. Fourth, indirect taxes are collected by business entities and not directly by the tax administration organizations. Every time a purchase is made, a tax has been paid and collected. It is cheaper for government to collect indirect taxes because the producers and sellers of goods and services become the government's tax collection agents which the government does not pay for tax collection. Fifth, there are inefficiencies and corruption in tax administration. Tax collection inefficiencies are a deterrent to direct tax revenue mobilization. At least it is easier to trace indirect tax monies collected by businesses that sell goods or services. You just have to access and look at their total sales, for example for retail sales tax. Sixth, with the increasing 'openness' or trade liberalization, import dues are declining and will eventually become insignificant. The World Trade Organization (WTO) members are required to reduce and eventually remove all trade distorting barriers on international trade. Tariffs are trade barriers. Periodically, each WTO member country has to show how it has liberalized trade – with the principle of asymmetry agreed for some developing countries. Seventh, most developing countries governments get a portion of their revenue for annual budget from foreign aid[429].Such countries therefore have not put in place strong tax policies and administration to raise more tax revenue.

Tanzi and Zee (2001:1-2) analyses the challenges of tax administration in developing countries. They identify the difficulty of taxing informal and subsistence sector wages and

[428] Barter as a means of exchange that is faced with the double coincidence of wants. A seller has to move places and find the buyer who wants what s/he exactly has.
[429] In Sub Saharan Africa, most countries get more than 10 percent of the national budget annually as foreign aid.

earnings which are irregular and paid in cash 'off the books'. They also mention that these informal sector earners do not usually spend their earnings in large stores which keep accurate records of sales and inventory. They further identify lack of well-educated and trained staff and their poor pay as a cause for poor tax administration. They too identify lack of reliable statistics as another challenge for failure to make good analysis on the impact of different taxes. They found that the rich tax payers use their power to influence fiscal policies on possible progressive tax systems. With the declining contribution of international trade taxes, I will support consumption taxes. I will not recommend the direct consumption taxes. My recommendation is based on Tanzi and Zee (2001) of an ideal tax system in developing countries. The ideal tax system in these countries should raise essential revenue without excessive government borrowing, and should do so without discouraging economic activity and without deviating too much from tax systems in other countries (Tanzi and Zee 2001:1). As we have said in this book, taxes are not enough because of the narrow tax base with a lot of business done informally, and agriculture done on subsistence.

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Achieve inclusive growth with economic transformation: *How do we ensure economic transformation to achieve inclusive growth?*

Some argue that slower growth may be better. We however should not vote for slower growth. We should vote for equitable access to basic services such as basic education for all, support training in the skilled and trades education (carpentry, brick laying, plumbing, etc), basic health for all, and ultimately greater access to energy and the markets for the products that the majority produce. We can look at some of these policy–oriented approaches.

1) **There is need to focus on modernizing agriculture for a period two decades:** During this period, government policies should address the transition from exporting primary and raw materials to added value exports. Beyond this period, the economies should reduce dependency on primary and agriculture activities and boost industries and services. With careful public sector planning this can be achieved (This should not be confused with command economies where the state plans everything. The private sector plans for itself. Companies do their own strategic plans). The government's role in boosting the transformation will be done via the national budget allocation and expenditure. Key priority sectors should receive more funding than less vital ones. A multipronged approach will require a strategy involving access to land, inputs, credit, infrastructure, marketing support, relevant skills and entrepreneurship.
2) **Provision of basic health for example is a strategy for inclusion of the poor and marginalized communities:** A country will not realize a transformation without addressing basic health concerns. A sickly population cannot boost production and productivity in agriculture. Rwanda established a community based health insurance scheme to improve access and offer financial to the majority of the Rwandese in the informal sector and people living in rural areas. The country realizing the levels of poverty and diseases burden and the impact it has on poor families established the universal healthcare scheme, *Mutuelle de Sante*[430].
3) **Social Cash transfer schemes for inclusiveness:** OECD (2009) defines social cash transfers. Social cash transfers can be defined as regular non-contributory payments of money provided by government or non-governmental organizations to individuals or households, with the objective of decreasing chronic or shock-induced poverty, addressing social risk and reducing economic vulnerability. The transfers can be unconditional, conditional on households actively fulfilling human development

[430] The health insurance subscribers (Mutuelle) are over 90 per cent of the population and they only pay 10 per cent of their medical bills. (source: http://www.moh.gov.rw/fileadmin/templates/Docs/insurance_policy1.pdf (Ministry of Health (2010), Rwanda National Health Insurance Policy, Republic of Rwanda, Kigali, April 2010) and http://www.newtimes.co.rw/news/index.php?i=15066&a=56407 (accessed 12/29/13)

responsibilities (education, health, nutrition, etc.) or else conditional on recipients providing labour in compliance with a work requirement. The transfers can be universal or explicitly targeted to those identified as poor or vulnerable (OECD, 2009). Social cash transfer schemes have been implemented in different forms in developing countries. Some developing countries constitutionally enshrine the right to social protection Brazil and South Africa have built comprehensive systems of social entitlements that have substantially reduced poverty and inequality over the past ten years[431]. Some countries such Brazil, Mexico in Latin America, Kenya, Malawi, South Africa, and Uganda among others have implemented a cash transfer programme for these segments of society. There are the chronically poor who have been landless for generations, left out due to old age without pension, conflicts and war that maimed them, child- headed families as victims of HIV/AIDS, and those disabled without a trade or education. With regard to the Government's focus, for example, on households with vulnerable children (Malawi and Kenya), the poor with limited labour (Zambia), or the elderly (Kenya)[432], such groups have received some little monthly stipend. This does not get them out of poverty at all. It only enables them to hold some very little cash at least in a month. This money is supposed to be used to purchase basics such as salt.

We will avoid the debate on whether these people should be given cash or the basics such as salt and food. We need to note that in the USA, studies have found out that these people prefer cash to actual food. There are different reasons for this scenario. One is that cash gives one control and power to choose. There may be those that may not necessarily use it for those particular foods that are distributed. This cash transfer should be managed and given out carefully without others being discouraged from working and resorting to receiving it. It should also not be used as a campaign tool for the regime to the disadvantage of the other political parties. During the time of scarcity in Uganda under different regimes since the 1980s, there were such political campaigns that "those who want salt should vote for party X". There were even songs in this line. This is wrong. The next regime will likely abolish the scheme.

Such schemes are a cost on GDP. The cost of the social cash transfer components those not related to health would vary within a range of 3 to 6 per cent of GDP for countries like Burkina Faso, Cameroon, Ethiopia, Guinea, Kenya, Senegal and

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431 Samson, M., (2009:44), "Social Cash Transfers and Pro-Poor Growth", Promoting Pro-Poor Growth: Social Protection, EPRI. OECD 2009

432 McCord, A.,(2009), "Cash Transfers and Political Economy in Sub-Saharan Africa", Project Briefing, No.31, November

Tanzania[433]. It is difficult to defend before the ministry responsible for budget and finance. The ministry and government have to be convinced that generally that social cash transfers are not simply hand-outs but necessary social investments[434]. There are others who suggest a wider scheme. Krzysztof Hagemejer's article (cited in Hailu, D., and Veras Soares, F., 2008:5), makes the case for basic social security. He shows that a basic social security package is affordable and can encompass: (i) universal access to essential health care services; (ii) a universal basic old-age and disability pension; (iii) basic child benefits for the first two children; and (iv) basic social assistance providing a 100-day employment guarantee to the poorest 10 per cent of household heads of working age.

Handa and Stewart (cited in Hailu, D., and Veras Soares, F., 2008:5) discuss alternative targeting approaches to extend the coverage of social cash transfer (SCTs). The alternatives are based on current versions of SCT schemes in East and South African countries. These include: (i) the labour-constrained households model that gives support to households without an adult member who is able to work (Kalomo pilot in Zambia and Malawi); (ii) households with elderly or disabled members (Mozambique); (iii) households with orphans (Botswana); and (iv) households with children. Their evidence based on Uganda and Malawi suggests that targeting children is the best way of reaching the poorest households and guaranteeing significant impacts on school enrolment. Quality education to the children of the poor is the good way of minimizing chronic poverty in societies.

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[434] Hailu, D., and Veras Soares, F., (2008:4), "Cash Transfers Lessons from Africa and Latin America: An Overview" International Poverty Centre, Poverty In Focus, Number 15, August

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Samson, M., (2009), "Social Cash Transfers and Pro-Poor Growth", Promoting Pro-Poor Growth: Social Protection, EPRI. OECD 2009

The need to limit the bias against agriculture while promoting value addition and developing the services sector: We have seen that limiting the bias against agriculture ensured growth in East Asia – it ensured that rural-urban income differentials were smaller; and reduced unskilled rural-urban migration. We need to advise that most African economies that depend on agriculture should not just abandon it overnight. This is not possible. It is not pro-growth. Agriculture is still important to both low and middle income economies of SSA. In Africa, it is a source of capital, labour and raw materials for agro-based industries. As it was done in East Asia and China, there is still need for government policy and practical support for agriculture sector, and for high levels of investment in rural infrastructure, and limited direct and indirect taxation of agriculture.

Attitude change question

African countries and peoples will be the ones to redeem themselves. It is up to the African people in different parts and countries of the continent to shoulder the responsibility of enhancing development. As we say in this book, aid and related foreign support whether invited or uninvited serves primarily the giver. It is part and parcel of their strategic approach to the survival of their countries. As we note also, foreign policy and international relations is a game of hypocrisy and at times enmity. It is a game played by the diplomats and their governments. Survival of countries like businesses has an element of competition. It is therefore true that countries, like businesses, may not have permanent allies and neither foe. The game shifts all the time depending on the nature of the issues at hand.

Where does all this leave African countries amidst this game? We are no longer colonies. We are independent. Independent people are free and don't beg. They work for their income. Africa has resources more than other parts of the world such East Asia which has the 'economic tigers or recent giants'. Africa is receiving aid from these recently advanced and industrialized exporters in form of vehicles, roads, railways, education and training. We should actually go to the Asians to learn how they did it. They went to the west and learnt. The west is no longer a good example for Africans to learn from. It is the Asian countries that may have lessons for Africa. There are examples of how to start and manage assembling plants, adding value to fruits and vegetables, and use of irrigation.

Education is important. It is necessary for conversion of raw materials into finished products. Carefully, education should be relevant to the needs of the society. Asians understood this and went ahead. Now they are in a different class. This change from viewing Asia as the best environment to learn from requires a big attitude change. It requires parents to accept to send their children (they also have to accept) the Asian polytechnics and business schools instead of sending them to MIT, Harvard, Stanford and Columbia in the US, Oxford, Cardiff, University of London, and Dundee among others.

There will also be a planned campaign to present to the youth the need for self-reliance, and commitment to development. Most youths want and some get the visas and find themselves in western capitals doing 'shoddy' jobs. This is partly because they have no choice at home. Half a loaf is better than no bread at all. There has to be programs that help create employment for the youths including well managed youth funds (a cheap loan scheme) as a trigger for small business startups by this group. There is no doubt that there is need for affirmative action (positive discrimination) in favour of the youth. This cannot be avoided. It is better than them becoming criminal gangs as a source of livelihood. This fund can be contributed by both the public and private sector. It is in the interest of the private sector too. They can get raw materials and services from these new small scale firms.

Attitude change calls for public campaigns on commitment to your country. because of corruption, nepotism and even 'tribalism', most youth find themselves hating their countries as they hate their leaders who in most cases are utter 'tribalists', absolute dictators and rent-seekers. Patriotism and nationalism are vital. It was important for Japan's growth and developmental state. By the 1870s, it had a group of "well-educated, patriotic businessmen and merchants and government that were focused on economic modernization"[435].

There is need for campaigns to realize this. The youths have to be convinced to love their countries. To do this requires government to show what positives their leaders are doing. This is important to show some achievements, and show commitment to changing improving the poor state of these countries. This should not be politicized. Patriotism and nationalism

[435] UN (2013:67), Human Development Report 2013: The Rise of the South: Human Progress in a Diverse World

are note party specific. Loving your country show emanate from the way one feels it is important to them.

There is another aspect of attitude change. The moral issues matter to development. The thinking that everyone can get rich without working hard and for some time is a problem to Africa's development. There is a growing culture among the people of deceit; of lying to obtain vital information and money from others. There is an emerging problem (this is big) whereby when they want to obtain say a driver's license, passport, birth certificate, and visa among others, they lie. They also lie when they want to do business with partners. There is need for a campaign against this. This is not a simple problem. Those who end up stealing public resources see nothing with stealing. They can later 'cook the books'. So there is needed to go back to the basics of values and respect. The Asians did succeed because of their culture of hard work, not believing in free things and long term vision for an individual leading them to become high level savers. Love for luxury cannot come at the beginning but at the end. Only the rich can afford luxury. The poor need the necessities of life. Personal planning including budgeting is relevant in Africa.

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ANNEXES: Recommendations for selected landlocked and non-landlocked countries in Africa

Land locked countries

Uganda: This country was described by Churchill as the "Pearl of Africa" long time ago. Recently, before it hosted the Common Wealth Heads of State and Government (CHOGM) in November 2007, it had a branding campaign called "*Gifted by Nature"*. All this is not misplaced but it is still one of the poorest countries in the world with less than US$ 1000 per capita. More than 20 per cent live in absolute poverty. This percentage of absolute poverty may be wrong due to limited statistical correctness. Given this percentage, it translates into 7 million of very poor people in absolute numbers.

But there is a way out of cash poverty: Uganda discovered oil. Oil is a non-renewable resource but (until USA, Europe and Asia finally put on the market vehicles using water) this resource can take the country far. It should be used to build modern roads and railways (as a pre-occupation). Prudent management of this resource is urgent. Government will have to invest in these infrastructures including establishment of a refinery because crude oil will be expensive to transport to Mombasa or Dar-es-Salaam. This should be plan covering the 15 years[436]. The government can enter into partnerships with the private sector to build infrastructure. A landlocked country requires good roads, railways and airports as a condition. This helps to reduce the cost of transport from and to the international waters, and to attract both foreign investors and tourists.

There is need to offer security and protection of the area where this resource is as 'enemies and hypocrites' can target it. To avoid the assumed or real 'enemies and hypocrites' requires engaging in international and regional diplomacy. As Collier (2008)[437], Nkurunziza (2012), Ndulu et al., (2007)[438], Ndulu et al., (eds.) (2008), Twineyo-Kamugisha (2012), and others discuss and advise that landlocked countries need good pro-growth policies and have to be friends with the neighbours. You cannot be enemies with the country through which you merchandise passes to and from the international waters. Regional integration and signing pacts will help lessen conflicts between the neighbours of Kenya (for Mombasa port) and Tanzania (for Dar Port). We mention that Uganda is a member of the East African Community (EAC) to which Kenya and Tanzania belong.

Uganda Kenya and Rwanda have also established a tri-lateral arrangement (hope it will not kill the EAC) where they have agreed infrastructure projects. Each of these three countries has directly established customs offices at Mombasa and now clearing merchandise directly destined for each country. There has been removed the numerous road blocks. Goods will pass through the borders easily and faster. This will reduce costs including bribes at each road block. Whether it is from and to Mombasa in Kenya or Dar in Tanzania, Uganda faces high transport costs because of the distance[439] and roads and railways infrastructure. The roads and railways are so old. Most cases merchandise is by road. Chris Milner et al., (1998,

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436 Construction of roads and railways is an expensive but also not hasty work. Government has to leave construction on the national budget for 15 years consecutively.

437 Collier, P., (2008), The Bottom Billion, New York: Oxford University Press

438 Ndulu, B., Chakraborti, L., Lijane, L., Ramachandran, V., and Wolgin, J., (2007),"Challenges of African Growth: Opportunities, Constraints And Strategic Directions", The World Bank.

439 Ugandan exports and imports connect to seaports by different modes (road, rail, water) and through four main routes namely (i) Mombasa–Kampala railway route (1,331 km), (ii) Mombasa-Malaba-Kampala road route (1,170km), (iii) Mombasa-Kisumu-Kampala rail/lake route (1,148 km) and (iv) Dar es Salaam-Mwanza-Portbell (Kampala) rail/lake route (1,680 km). (See Rudaheranwa (2004:11), "Trade Policy and Transport Costs in Uganda", CREDIT Research Paper, No. 06/09)

2000), Rudaheranwa (2004) transport costs are a trade barrier for Uganda. Transport costs remain a significant trade barrier, equivalent to effective protection of over 20% and an implicit tax on exports of over 25 per cent (and up to 50per cent on air freight)[440].

Uganda, with improved airports, road infrastructure, political stability and security of persons and property, can undertake aggressive campaigns to attract money from tourists. Rwanda has been creative with annual celebrity naming of gorillas called "Kwita Izina". Celebrities and other high profile persons are invited and give names to young gorillas. This has made Rwanda visible internationally and the ultimate benefit is attraction of more tourists. Uganda has more gorillas and more other animals that can attract tourists in the different parts of the country. Uganda is the country in Africa where the first Christians were killed by then king of Buganda (who they would no longer respect because they respected Jesus and God). The Uganda martyrs can become big religious tourist attractions. They should promote tourism and obtain foreign currency. They should therefore engage aggressively in tourism promotion. Why is it not doing it? Surely they are not waiting for this book to be written.

We had different views on the importance and role of agriculture during the economic transformation phase of a developing country. There is need to critically examine the importance of this sector peasant and largely subsistence countries such as Uganda. The majority of the people currently depend on agriculture (moreover not commercial agriculture) for employment, income and livelihood. Most of those who depend on it are peasants with little or no formal education at all. How are they expected to earn a living? The government in partnership with private sector association (both for production and marketing) should help the people increase production, productivity and processing. Botswana exports a lot of meat to the EU. This is a product from agriculture.

Also to escape the *Dutch disease* and the *resource curse*, Uganda has to have another product to sale in the international markets. Currently, it is an agricultural exporter. There is great current demand for agricultural commodities in Kenya, South Sudan, and DRC. There is a lot of demand for Uganda's fresh water fish and cut flowers (roses and carnations) to the EU (via the Dutch auction), among others. Particularly for manufactured and food exports, Uganda has a market from the neighbours of South Sudan, DR Congo, and Kenya. Kenya has for instance an annual demand of maize grain exceeding 800 metric tons (MT) since 2009, and this demand will continue for another 20 years given the population growth and demand for animal feeds. Why can't Uganda, fertile as it is, not meet this demand? These are

[440]See Rudaheranwa, N., (2004:1), "Trade Policy and Transport Costs in Uganda", CREDIT Research Paper, No. 06/09

neighbours. The cost of transport may not be that exorbitant. In the long run, with urbanization and increased in industrialization, the country will export industrial goods. Even China followed this approach to industrialization. How can consumer services that do not distribute income contribute more than 40 per cent of GDP and employ around 100,000 persons? This economy has to re-examine its policies.

Rwanda: this small and partly mountainous country needs good policies, friendship with the neighbours and tourism. It can use either Mombasa Kenya or Dar Tanzania as ports. Both ports are far. The costs of transport are high. It passes through Kenya and Uganda both of which have no good roads and railways (In fact Rwanda currently has better roads compared to Uganda). It has one key aspect that most other African country may lack: love for their country. Rwandese wherever they show you that they love Rwanda. It is a positive aspect that is vital for development.

Patriotism are necessary for unity and working together for development. As aforementioned, tourism can boost Rwanda. The annual celebrity naming of gorillas is a good marketing strategy for the country. Given the size of cultivable land, the country needs to reduce on traditional cattle and embark on modern farming. ICT has already been identified by Rwanda. It can be used to promote tourism, and also for BPOs (Business Process Outsourcing). This small country has gone through bad past episodes including ethnic discrimination, exiles, and genocide which have affected agriculture, tourism, and trade. Her neighbours, for example DRC has never had peace and tranquility since the assassination of her first independence leader, Patrice Lumumba. It is rich in minerals and flora and fauna. But it's also a problem for Rwanda and Uganda too. Wars and conflicts in this massive country have to end.

The geopolitics in the region requires that Rwanda and Uganda are involved in the peaceful solution to the conflicts there. Already the Interahamwe rebels i.e. the former Rwandese army under Habyarimana are in DRC. They pose a threat to Rwanda's process of growth and development. Instead of buying arms and ammunitions (in Rwanda's situation, it may not ignore a 'permanent eye' security and surveillance of its borders with the DRC borders), Rwanda has to help through the regional and international initiatives to ensure that DRC attains peace. As for the rebels, there ways to deal with them: convince DRC to expel them; negotiate; etc.

As Collier (2008:53) advises landlocked countries, be friends with the neighbours. There no other choice for you. Make neighbours your friends and market. There are cultural products that you can sell to DRC people of Rwandese origin. You can do the same in Uganda. It is not easy because while Switzerland was surrounded by its market as neighbours[441] (Germany, Italy, France and Austria), Rwanda is surrounded by Uganda, DRC, Burundi, and Tanzania, which produce similar commodities. Regional integration (work hard to ensure that DRC becomes a member of the EAC) is important. It will increase market access from and to the international waters, borders and markets.

Swaziland: This is a tiny country still ruled by an absolute monarchy. The country has got one of the highest rates of HIV/Aids. Yet the monarch (Mswati) has to pick a bride every year during the reed dance festival as a custom. It has one of the smallest airports in the world. Things to change in this country include the system of government. There are no longer countries which are republics yet ruled by kings who are not competing for their seats in an election. Next after the change of government is to promote tourism. Even during the apartheid regime in South Africa, still tourists flocked this land. Like other landlocked countries, Swaziland should strengthen ties with her neighbours. There is need to establish a modern airport. The government should continue building good roads that connect to the neighbours. Regional integration under SACU is important for business and political relations.

The situation of selected non-landlocked countries

Kenya: This is the most developed country of the EAC region, with some serious industries, services sector and an organized tourism. It has a few good airports. It has also the port of Mombasa. It is the only country in the region sending outward foreign investment to the EAC partner countries. It has not had wars except the post-election violence which arose out of the December 2007 elections malpractices.

Tanzania: This is the largest country within the EAC region with a big part neighbouring water. It is also a country that has not had any political upheavals. It has been known to support efforts to end dictatorships in Uganda and colonialism in Southern Africa (Zambia and Zimbabwe) and the apartheid policy in South Africa. It hosts the headquarters of the East African Community. It needs to modernize its roads and railways networks in partnership arrangements with the private sector. Good roads and railways will attract Rwanda, Burundi, and others to use the Dar-es-Salaam port. They should too, promote tourism. There ample and vast national parks like Serengeti and Mount Meru should be maximally utilized. Management of the minerals exploited prudently should be given a serious priority. The country should at all times support the regional efforts to end wars in the region as it used to do in the past.

[441] Collier, P., (200…7..8), The Bottom Billion, New York: Oxford University Press

DRC (Democratique Republic du Congo): A country endowed with minerals like coltan, gold, diamond, oil and gas, etc), waters, forests, animals and good fertile soils, one would think that this country would literary feed the whole of Africa. With an estimated $22 trillion of currently known mineral wealth, DRC has been engrossed and embroiled in dictatorship under Mubuto, and incessant conflicts and wars with their neighbours at times. This country needs to properly rethink its strategies for development. As we have said that in international affairs and diplomacy there are such words as enemies and hypocrites, this country has no option but to do two (2) things, i.e. internally federate; and externally negotiate amicably with her neighbours.

Federal DRC is the best option. There is need to realize that DRC is a big country with a weak government based in Kinshasa. Federal DRC will have both central and federal governments. The Centre will also share resources with the federal provinces. This will reduce internal conflicts because the fights are over sharing of the national cake it's about the money from minerals and the mineral exploitation contracts. Once you have reduced internal conflicts and wars, this will have an effect on external aggression. The federal provinces or regions will start relations with neighbouring countries. Let us remember that the boarder provinces have relatives across the border. Negotiations will start both with the Centre and the federal governments over the issue of Ugandan and Rwandese rebels. The reason mainly why the neighbours of Rwanda and Uganda are interested in DRC is over the rebels who plan to remove governments in these countries.

The UN and the international community have to know this. The government in Kinshasa knows this. Other reasons are secondly or related to the main one. The issue claimed by DRC government (and probably rightly) that neighbours 'sympathize' with rebels against Kinshasa government is because there is a feeling correctly that Kinshasa is not in control; and that it also 'sympathizes' with the rebels against these neighbours. Ultimately this leads DRC and these neighbours to support rebels against each other.

The World Bank (2005: xiii), "*Economic Growth in the 1990s: Learning from a Decade of Reform",* has acknowledge that there is no unique universal set of rules. That sustained growth depends on key functions that need to be fulfilled overtime: accumulation of physical and human capital, efficiency in the allocation of resources, adoption of technology, and the sharing of the benefits of growth. To conclude this section, with regard to the policy options should be chosen depends on initial conditions, the quality of existing institutions, the history of policies, political economy factors, the external environment, and the art of economic policy making[442].

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[442] The World Bank (2005: xii), "Economic Growth in the 1990s: *Learning from a Decade of Reform".* The World Bank

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