Healing the scar of Africa

'Africa is a scar on the conscience of the world'

Tony Blair, October 2001

In 1985, Bob Geldof got together with his fellow high-flying rock stars to stage a set of global concerts designed to raise money for millions of Ethiopians dying through famine-induced starvation, pictures of which were being increasingly beamed into Western living rooms. Very little attention was directed toward how the money was spent, nor how General Mengistu, the Ethiopian leader, was using aid as a political tool in eradicating opposition. Twenty years later, however, Geldof returned for a repeat performance to draw attention to poverty in Africa. Yet this time the sceptics have been quicker off the starting blocks, questioning how Africa could be drenched in cash but still remain poorer than it had been at the end of the 1960s. After half a century of misrule, corruption and outright brutality, might it be that, in the words of Simon Jenkins, the West still chooses to grasp at shallow 'fast' politics, preferring a quick-fix, guilt relieving solution to the proven realities of economics? In this fact-sheet, we illustrate how Africa has got to where it is today, and how demands for fiscal responsibility have been drowned out down by slogans of Geldofian naivity.

- Africa presents us with a glaring paradox. It has received around $1 trillion of aid in the last half century, equivalent to $5,000 for every African living today if distributed in today's prices. However, it is the only continent in which the proportion of poor inhabitants has grown over the past thirty years, and is expected to increase by 100m by the year 2015 *(Commission for Africa Report, 2005)*. Nearly eighty percent of the world's Heavily Indebted Poor Countries are to be found on the African continent. (http://www.worldbank.org)

- Yet it is in comparison to Eastern Asia that the most glaring of disparities comes to light. In 1975, the average income in Africa was twice that of East Asia. In spite of having a much larger population, and receiving of aid worth only one-fifth of that received by Africa over the same period of time, average incomes in East Asia are now more than twice those of their African counterparts. The pursuit of economic growth in East Asia has lifted countless millions out of absolute poverty, especially in countries like China where output per head has boomed.

- Forty-one of the world's poorest countries have received £33bn in debt relief in recent years, but re-borrowed over £40bn. Indeed, aid flows into Africa from nations of the Organisation for Economic Co-operation and Development (OECD) had been rising until 1994, dropped for much of the ensuing decade and then rose again to a new high of more than £20 billion at the end of 2004. However, few of these funds are ploughed into building infrastructure or promoting an appropriate investment climate, and are instead channelled into hugely inflated government contracts from which huge kickbacks – often around ten per cent – are taken as standard. In Nigeria, a huge steel complex was constructed at a cost of £4.55 billion that lay unused for years before producing its first bar of steel (*The State of Africa, p.581).* Africa now owes a total of £168.4bn in loans and interest, almost three times the level of money poured into the continent over the last fifty years (*OECD Development Assistance Committee Database*).

- For some economists, there is little doubt that aid has had few positive effects for the average African, particularly those from the poorest echelons of society. Roger Bootle, economic advisor to Deloitte, points out that ‘if all the money given in aid to Zambia had been invested, the average income would have quadrupled in just over 30 years. In fact it has fallen. It may appear a statesmanlike or noble gesture to cancel bad loans ahead of an election, but it will have little material effect on the citizens of Sierra Leone, Liberia or Equatorial Guinea, whose governments are already in default’ *(Daily Telegraph 22/01/2005).*

- The only practical effect of an increase in unconditional aid will be to reward those who have already done so much to bankrupt their own countries, enriching the elite and exacerbating the yawning gap between rich and poor in much of sub-Saharan Africa. Meanwhile, Bootle claims, “the prospect of debt forgiveness can have unpleasant side effects. Some countries are so keen to fall into HIPC bracket that they are busy trying to work out how to impoverish themselves”, thus making themselves eligible for 100% debt relief.

- Those advocating more aid and debt relief place little emphasis on encouraging entrepreneurship and weakening the powerful grip of unaccountable political patronage. Their policies would prolong the absence of an integrated banking system and entrench the widespread ownership of assets and land by state monopolies.

- In recent years many African countries have made little attempt to maintain working – let alone transparent – practices of accounting or book-keeping, so aid is often untraceable once it reaches the central accounts of the receiver nations. ‘A year after Live Aid, I was in Mali and asked some villagers if they’d seen any of the money. “No,” said one, taking me outside and pointing at the soldiers. “But they all have new guns.” *(Jeremy Clarkson, Times Online, June 05 2005)’*

- The nightmarish procedures involved in the setting up of businesses often force even the most honest of entrepreneurs to turn to corruption, a vicious cycle that the main beneficiaries – governmental officials – are unwilling to break. ‘Privatisation destroys the patronage on which they depend’. *(Times Online, June 14th 2005, Michael Holman)*

- The World Bank’s Knowledge for Change Programme (KCP) has been established to help both ‘least developed countries’ (LDCs) and Western donors achieve their Millennium Development Goals, aiming to ensure that pledges of 0.7% of GDP in overseas development aid (ODA) are met and aid is used effectively to maximise poverty reduction. The guiding theme behind this initiative is that investment is utilised best through the pooling and dissemination of information and research in areas including economic growth, sustainable efforts at alleviating poverty, social inclusion and good governance. *(www.worldbank.org)*

- However, major charities such as Make Poverty History have implicated themselves in efforts to ignore such guidelines, demanding the total write-off of African debt whilst demonising the use of direct investment and privatisation, seen by most mainstream economists – including those overseeing the implementation of the United Nations Millennium Development Goals – as the key tools to managing long-term poverty reduction. (*http://www.unmillenniumproject.org/reports/why8.htm*) Almost no attention is paid to dealing with corruption or bloated state-run institutions and industries, and their rhetoric is peppered with vague references such as the demand to 'allow countries to develop their own way' and 'regulate industry to suit their needs', a policy that has so far served to buffer African governments from accountability and criticism. *(http://www.makepovertyhistory.org/docs/manifesto_hi.pdf)*

- Yet mismanagement of the economy and the failure to build upon investment opportunities has been a major problem. Instead of providing their people with the means of working their way out of poverty, a generation of African leaders has plundered state reserves. In the decade following independence, for example, fourteen West African states lavished between three and six times on (comparatively) luxurious goods such as alcohol, cars and perfume as was spent on badly needed agricultural equipment and machine tools *(The State of Africa, p.171)*.

- What has been revealed, in fact, is a hopelessly corrupt political elite, part of a 'political class across the spectrum that simply sees politics as a way of becoming wealthy', according to Jeremy Pope, of Transparency International. 'As long as politics is seen as the path to wealth, then Africa is on a downward path' *(www.bbc.co.uk, 11/02/2005)*.

- According to Transparency International's ranking of state corruption known as the 'Corruption Perception Index', one would have to get to number 39 (out of 146 countries surveyed) to find the least corrupt African country - in this case Tunisia - with a score weighted at five out of ten where one is the most corrupt and ten the least. In the top 50 least corrupt countries, only one sub-Saharan African country - South Africa - joins her, at number 44. *(http://www.transparency.org/cpi/2004/cpi2004.en.html#cpi2004)*. Unfortunately, it is amongst the bottom rankings that most sub-Saharan Africa countries languish. Twenty-five countries – out of thirty surveyed – failed to achieve a score greater than three-and-a-half out of ten. Out of those, only Botswana gained a score of more than five. (*Sunday Times Magazine, 03/07/2005, p.28)*.

- Transparency International’s polling of those in countries experiencing endemic corruption has found that political parties and the legislature, followed sharply by the judiciary, are commonly cited as the institutions most likely to take a bribe.

- Nigeria - ranked as the world’s third most corrupt country and at the top of the class as Africa’s worst offender - has been lobbying hard to convince the West to write off the entirety of its near £20bn debts. So far, however, not one single conviction has been upheld against government officials accused of embezzlement, a problem to which President Olesegun Obasanjo has only recently awoken. In a plea to Nigeria’s parliament he highlighted his belief that “the legislature cannot wallow in corruption and expect the outside world to take our pleas for debt relief very seriously.” (*www.bbc.co.uk, 02/05/2005)*

- Unfortunately, as aid agencies and charities demand that the West relieve itself of ever greater proportions of its national wealth to pay off African debt, it seems that too few people are aware of the scale of this grand theft. A new report by Nigeria’s recently established anti-corruption commission suggests that between independence in 1960 and the end of 1997, a total of £220 billion was skimmed off or ‘misused’ by Nigeria’s political elite, equivalent to 300 years of British aid donations and worth as much as the post-war Marshall Plan six times over. *(Daily Telegraph, 24/05/2005)*

- This figure vastly outstrips the £155bn reaped from three decades worth of oil revenues, and, in spite of a recently announced crackdown on offenders in the legislature and police services, corruption remains endemic. In just five years as president until his death in 1998, General Sani Abacha personally took something between £1 billion and £3 billion, out of which only £500m has so far been recovered. (*The State of Africa, p.580-1)*

- Across the country, the tentacles of patronage and unabashed nepotism have reached new levels of venality. State money is openly plundered on the grounds that a ‘fair share’ is being taken, a mindset of the colonial era when the government was viewed as a foreign institution existing only to serve those in power. Officials openly use public money to buy off opponents, awarding contracts to cronies and demanding kickbacks from the ensuing profits. Another favoured tactic is to purchase or construct assets for public use, only to sell them off and pocket the proceeds. Hospitals are often left useless as their equipment disappears, leaving them as empty shells. *(Daily Telegraph 26/05/2005)* Yet as the elite line their pockets, two-thirds of Nigeria’s population lives below the poverty line, and nearly half struggle to access clean water supplies.

- And yet, as is well known to many in the multilateral funding agencies of the world – the International Monetary Fund and the World Bank in particular – these tales of widespread embezzlement have been repeated for years across much of sub-Saharan Africa.

- Joseph-Desire Mobutu, the former leader of Zaire (now known as the Democratic Republic of Congo) perfected kleptocracy as a form of government. In thirty-two years of uninterrupted rule, Mobutu robbed his nation of an astonishing £6.5 billion, four times the debt that today bears down on this unstable corner of southern Africa. He owned a 30-room mansion in Lausanne, Switzerland and thought nothing of chartering Concorde to attend expensive health clinics in Europe until his death in 1997. He left his country in economic ruins, racked by civil war and plummeting incomes. His country now receives around £20 million in aid every year from Britain alone, one-tenth of its total annual aid packet.

- Angola, a resource-rich nation of oil, diamonds, and minerals, emerged from decades of civil war to discover officials pocketing around $1bn a year from the country's oil trade when three-quarters of the population were living on less than one dollar a day. (*http://gobi.stanford.edu/cases/Documents/IB52.pdf*)

- Jean-Bedel Bokassa, a self-styled 'emperor' of the Central African Republic, took much pride in renaming his country's public buildings, parks and institutions after himself, and spent a fortune in pursuing his ambition of becoming the 'African Napoleon Bonaparte', whom he described as his 'guide and inspiration' (*The State of Africa, p.228*). During his twelve years in office he acquired four chateaux in France and doubled the national defence budget, spending money on an ad-hoc basis rather than sticking to a pre-determined limit. Over $22m was spent upon his coronation as absolute monarch in 1977.

- The former President of Kenya, Daniel Arap-Moi, ruled for 24 years, abolishing opposition parties and overseeing a shrinking economy whose average annual growth rate shrank from a healthy 6% to 7% down to –3%, a malaise from which it is only just recovering. In 2002, the director of Kenyan affairs at Transparency International claimed that Moi had 'entrenched a system of patronage' and 'overseen the systematic destruction of (Kenya's) institutions' (*www.bbc.co.uk, 05/08/2002)*. Britain gave over £28 million to Kenya last year.

- In Malawi, where nearly one in every six people is infected with Aids and 65% of the population lives on less than 50 pence a day, the government recently celebrated an increased annual donation of £22 million from the British government – a reward supposedly granted for implementing reforms and practicing good governance – by purchasing 39 brand new S-class Mercedes at a cost of £1.7 million *(The Spectator, 25/06/2005, p.12-14)*.

- Perhaps one of the grossest incidences of ineptitude and greed can be found in the tiny kingdom of Swaziland, a country surrounded in its entirety by South Africa. In 2004, King Mswati III spent £750,000 on cars alone, totalling three-quarters of Britain's total aid budget to Swaziland. In a country in which 70% of the population languishes in absolute poverty, £9 million of Swaziland's total foreign aid budget of £14 million was lavished on the demands of the King and his ten wives *(The Spectator, 25/06/2005, p.12-14)*.

- The common bedfellow of this corruption, furthermore, is oft to be found in the form of civil conflict and domestic oppression, both of which have eaten up aid budgets and destroyed the potential for investment.

- As the Commission for Africa has noted, ‘conflict causes as many deaths in Africa each year as epidemic diseases and is responsible for more death and displacement than famine or flood’. Most mainstream economists have pointed out that whilst the security situation remains so bleak, investors cannot seriously be asked to deposit large amounts of cash in African banks, especially if potential returns are forced down through arbitrary tax or confiscation of profit. In this area, the figures speak for themselves: around 40% of all private wealth generated in Africa is stashed abroad, six-and-a-half times the level of so-called ‘capital flight’ occurring in East Asia (*Commission for Africa Report, p.114*).

- During the reign of General Mengistu in Ethiopia, collectivised farming enforced a grain quota upon many impoverished farmers and fixed prices for agricultural produce at a deliberately depressed level. As well as the tens of thousands of deaths caused by enforced relocations, imprisonment and execution, around two million are thought to have perished during the famine of 1985. Unfortunately, even in the post-Mengistu era, Ethiopia languishes at the bottom of the human development index, yet remains one of the most popular destination for international non-governmental organisations (*The Times, 04/07/2005, p.9)*. Many hopes were raised with the rise to power of Meles Zenawi in 1995 during the country’s first ever multi-party election, in the expectation that the country was on the road to democracy. However, during this year’s vote the opposition accused Zenawi of harassing and intimidating their supporters, claiming that the police were committing human rights violations under the pretext of enforcing security. The most violent confrontations occurred after students defied a protest ban to march against voting irregularities, during which 36 people died and thousands more were arrested.

- Liberia, a colony established as a home for slaves freed after the American Civil War, was run by President Tolbert until a coup in 1980 by Sergeant Samuel Doe, leading to a period of increasing instability, corruption and misrule. Doe and his cronies were believed to have skimmed more than £120 million from Liberia’s rubber and forestry industries before his government was overthrown by Charles Taylor. Taylor himself, now recognised as a notorious warlord, waged eight years of devastating conflict before being ousted by rebel fighters in 2003. The United Nations accused him of diamond smuggling and gun running, and he is believed to have fuelled civil war in neighbouring Sierra Leone.

- Equatorial Guinea suffered under eleven years of the dictator Francisco Macias Nguema, an autocrat who purged the country of intellectuals, imposed brutal executions of those who proposed even the slightest changes of rule and closed down the Central Bank. His successor, President Obiang, has $700m of assets stashed away in Swiss banks, but insists that usage of the country’s oil revenues remain a secret, and therefore of no relevant concern for outsiders.

- In Zimbabwe, the fragile goodwill that had been fostered in the first tense years of independence between the white community and the black population gradually eroded in the aftermath of the Matabeleland massacres in the mid–1980s. Having crushed his opposition and murdered 10,000 innocent civilians, Mugabe turned on the white community, denouncing them as racists and traitors and promising to redistribute the land still held in the hands of ‘Zimbabwe’s erstwhile colonisers’ (*The State of Africa, p. 630).* Yet nationalising half of Zimbabwe’s commercial farmland and handing it over to a mix of incompetent ‘war veterans’ and Zanu-PF (the ruling party) cronies has led to widespread starvation and economic ruin. In a country once known as the ‘breadbasket’ of southern Africa, between 4.5 million and 6 million people may need food aid this year (*World Food Programme).*

In the last thirty years, aid as a percentage of African gross national product has trebled, now accounting for around half of all capital inflows, yet economic growth has dropped from an annual rate of 2% to virtually nil (*Times Online, June 19th 2005, Alan Ruddock).* Unfortunately, there is an unwillingness to draw the obvious conclusion: more aid equals less economic activity. Africa presents us with all of the problems of welfare dependency on a gigantic scale. If you pay people for doing nothing, that is exactly what they will do. Wealth is created by producing goods and services that other people want to buy. For this activity to take place, certain basic institutions guaranteeing law and order and financial stability must be in place. Many African countries lack these, hence they are poor. The anti-poverty campaigners should turn their attention to this lack, before demanding further aid and debt write-offs – measures which will exacerbate the very problems they are meant to solve.

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