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Ten Things that Africa Can Do for Itself

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Africa's profile has never been higher. Events appear to be at last moving in the right direction for the poorest continent. During the past 12 months, the leaders of the G-8 agreed at Gleneagles to double aid to $50 billion by 2010, of which 50 percent would go to Africa. The 25 members of the European Union committed to double aid to $80 billion by 2010, and in September 2005, 15 members of the United Nations agreed to commit to the organization's 0.7 percent aid/GDP target. The same month there was agreement to cancel $55 billion of debt to 18 countries, 14 of which were in Africa. These commitments were made in the spirit of Tony Blair's Africa Commission, which went around 10:1 in favor of what the international community should do for Africa.

Even economic trends appear to be moving in the right direction. Continental growth was 5.1 percent in 2004, and is estimated at 5 percent in 2005 and 4.7 percent in 2006, the most favorable performance for many years. Today, 40 percent of African states now have elected democracies, regional co-operation is being enhanced, and governance is part of the agenda.

So far, so good.

But even though the aid and debt relief argument has been won—at least among Western government leaders—this is a two-way bargain. More aid and debt relief is incumbent on improvements in African governance. How should Africa respond, and what is the best way for the continent to promote its own development?

Three Home Truths

The increase in aid to Africa has been predicated on two inter-related grounds: One, that it is the right thing to do since it is immoral that so many people in Africa remain mired in poverty. Two, that it is in the international community's self-interest to do so, since a failure to respond would encourage the export of African problems—including refugees, health issues, and even terrorism—to Europe and further afield. It would be better—and easier— thus to deal with them "at home." Africa, this argument goes, is owed this generous response.

Those that oppose this increase do so on the grounds of the feasibility of using aid for development. Aid, proponents of this view would argue, is less part of the solution than the problem, given that it distorts the market by crowding out investment, undermining democracy, and removing incentives to reform the underlying reasons for continued poverty—the absence of property rights, the rule of law and free markets, and burdensome government. Also, there is the notion that filling the savings gap from outside (the difference between real and required rates of savings necessary for high growth rates) tends to inflate the importance of aid as much as it reduces the role of governance.

But the first home truth is that the answer to the aid-development conundrum is thus not one of morality first, nor is it one of feasibility first; it likely lies between these two poles. But this does mean that constituencies both inside and outside Africa remain to be convinced about the effectiveness of aid.

The second challenge is to shift focus solely from the external barriers to trade and development to examine Africa's domestic capacity. Money is of itself not the sole problem facing Africa; otherwise the continent would now be wealthy given both the volume of aid squandered and the volume of money moved offshore. The reality is instead that the solution goes beyond simple accounting to a more complex and difficult-to-apply formula of governance, political patience, and statehood.

Related to this is the need to create productive capacity within African countries. This is for two reasons. First, because the collapse of Africa's trade did not happen because of trade barriers, but was due to a collapse in productive output. Second, the critical aspect to trade is less concerned with "how" countries might trade than "what" they might trade: what they might actually be making and trading in the future that they are not now.

A third home truth is to recognize the limits of economic logic in the face of political imperatives in Africa. Why is it otherwise that priority-setting—along with the spending of extant external funding—has been so problematic in Africa? It also demands appreciating the limits of regional co-operation *versus* national priorities, and finding ways to deal with this.

There are thus distinct limits to the impact of external actors. It is important not to ignore the role of politics in understanding why it is that good advice has not been taken up. It is a cliché, perhaps, but a truism nonetheless that the principal problem facing African economies is political, not economic in nature. Thus key in examining how Africa should respond is the question: How can one assist African leaders to make the right decisions?

Related to this point is the need to deal with the political tension between the impulse for African inclusivity and the desirable (but not inevitable) exclusivity of, for example, the peer review process of the New Partnership for Africa's Development (NEPAD). If exclusivity is desirable (i.e., rewarding the improvers), how might this happen given the ongoing momentum of donor budget support more or less regardless of governance? Fundamentally, do Africans view the logic of development the same way as the West? And the logic of reward? What thus are the incentives for African governments to follow the right model?

As the myriad of consultant, World Bank, and IMF reports on Africa attest, it is clear that we know a lot of what has to be done. The challenge is how to do it.

A Ten-Point Strategy for Development

Growth Begins at Home. The determinants of economic growth are primarily domestic. It is a paradox that contemporary analysis recognizes the limits of external action; yet external assistance is promoted as critical to development. While many proponents of aid would recognize the importance of "hard" infrastructure (roads, railways, ports, airports) to African development, "soft" infrastructure (policies and people) is at least as important, if not more. Every efficient economy requires the institutions of a free society, including property rights, the rule of law, and democracy. Fundamentally, this means putting in place at home the global "rules of the road" that make for such competitiveness and investor attractiveness, which make economies more competitive, including: the removal of government protection of workers and industries (i.e., deregulation and de-subsidization); and higher productivity (i.e., less burdensome bureaucracy, improved skills, more flexible workforce, and dealing with vested interests). Competition and competitiveness matter to long-term economic health, not state benevolence.

Ensure Differentiation. In addition to the usual wisdom of promoting sound policies and better institutional governance, part of the solution thus rests in developing a nuanced, case-sensitive approach to economic reform. Such a focus on heterogeneity will also assist in improving Africa's brand—not dragging the continent's overall image down to those states associated with economic decline, collapse, and disease. This is both an African and donor responsibility.

In this regard, Professor Jeffrey Herbst of Miami University (of Ohio) has categorized six such groups which it may be helpful to reiterate:

- The high performers set to globalize (Botswana, Mauritius, South Africa, Ghana, Uganda, and Seychelles);
- Countries on an upward trajectory (Mozambique, Benin, Madagascar, Senegal, and Tanzania);
- Large, poorly performing countries (Democratic Republic of Congo, Ethiopia, Nigeria, and Sudan);
- Poorly performing countries where growth rates are near to zero which "face a slow grinding down of their economy" (Burkina Faso, Cameroon, Kenya, Malawi, Republic of Congo, Rwanda, and Zambia) or where they face severe ecological problems (such as Chad, Mali,

Mauritania, and Niger);

- Countries that are in the midst of or have suffered institutional collapse (Central African Republic, Ivory Coast, Guinea, Liberia, Sierra Leone, Somalia, and Zimbabwe); and,
- Those oil-producing countries (Angola, Cape Verde, Equatorial Guinea, and Gabon) where natural resources offer a "distinct set of developmental prospects."

This raises, in turn, another issue: There is a presumption that improvements in governance in and of themselves will be sufficient in uplifting Africa. To parody Lord Denis Healey, former Chancellor of the Exchequer: "Governance comes and goes, but the rules of arithmetic and geography remain the same."

Accept Failure. Can thus governance remedy geography and climatic constraints, or should we accept that there are countries that will not make progress—or at least sufficient progress—in meeting civil needs? Should we consider new remedies; or should these states be allowed to mutate, borders to change, or even states to fail?

Promote Aid Quality, Not Only Quantity. More aid does not have to mean worse, but there has to be a focus on ending leakages, making more predictable internal funding flows to ministries and agencies, improving public management practices and scrutiny, defeat of vested interests, and the placing of all of this in a political project of state-building within a long-term vision of national development. While much focus is currently on keeping donors to their promises, there have to be systems of mutual accountability. African governments have to focus on:

- Choosing a limited number of sectors (four or five) for expenditure, and do not fragment efforts;
- Getting donors to commit to long-term projects (20 years as a target);
- Allowing parallel technical assistance programs with budget support;
- Devising a regulatory framework for public-private partnerships involving business-government-donors in infrastructure.

Celebrate Globalization. Africa's recovery demands that African elites engage unambiguously with globalization. Instead of recognizing and finding the means to tap globalization's advantages— flows of skills, capital, trade, and technology— Africa's leaders are at best ambivalent about globalization. At worst, it is cited as a problem to be avoided and a reason for marginalization.

Africa's rhetorical default stop should be amended to celebrate globalization at every opportunity. This includes: Endorsing trade liberalization that would remove subsidies to French and American farmers that are hindering African market access, promoting initiatives that reduce the cost of capital for African entrepreneurs, promoting the spread of technology that will more rapidly upgrade degraded African infrastructure and insert it into global supply chains, and advocating the freer movement of skills necessary for economic relevance and revitalization. Globalization, after all, offers Africa an opportunity to catch up.

But celebrating globalization is more than just becoming a proponent of it. It demands a change in mindset. Instead of criticizing the impact of cheap, often Chinese imports on previously protected domestic industry, it means finding the means to make these sectors more competitive. Rather than berating external constraints, it requires stating ambitious development visions and putting in place strategies to achieve them. Instead of scarcely veiled criticism of the role of multinational companies as the unacceptable face of capitalism, it requires finding out exactly in what they want to make investments. Instead of dwelling on the downsides, it demands celebrating the success of Africa's own globalizers. When last did you hear an African leader celebrating a business success story? They need to do it vocally and regularly.

Strengthen Parliaments and NGOs. This means finding means to empowering parliamentarians and encouraging the development of a concept of a loyal opposition—not least because they might find themselves in opposition at some point! The history of Africa on encouraging political pluralism is, however, weak. Nongovernmental organizations, opposition parties, and the media are seldom seen as an asset; more often an affront. As a result, civil society, including business, often pulls punches in its relationship with government. Government has to see civil society not as a threat to be controlled, but rather a long-term developmental asset.

Create Points of Entry. It is necessary for African governments to target businesses, by country, by sector, and by business. This does not demand commissions, roundtables, councils, or presidential advisory bodies, but rather old-fashioned footslogging, and new-fashioned use of basic database technology and careful management. This way it will be possible for those NEPAD peer review graduates to benefit from their elevated status.

Change the Debate. It would be more encouraging to hear a new debate towards what an *Africa beyond aid* might look like and how to get there. An Africa beyond aid is, after all, a much more positive rhetorical device and analytical template to aim at than one suggesting a doubling of external largesse.

Do Not Confuse Growth with Development. For example, Africa's current growth rate is on the back of a cyclical commodity upswing driven especially by Chinese demands. Over history, whether in boom or bust, few African countries have managed to invest commodity and particularly oil revenue in a way that is socially productive. Instead, the money has been wasted. When prices have been high, a higher percentage has been wasted because the country does not feel under any pressure from donors. Moreover, increased Chinese interaction with the continent is not necessarily an altogether positive development. While it has led to increased commodity demand, it has also flooded Africa with cheap Chinese consumer goods, good for consumers but problematic for governments seeking to develop domestic manufacturing industries and diversify their economies. Long-term development is dependent on economic growth and governance.

Set Priorities. It is important for African states to set priorities and for the international community to assist them in doing so through:

- Better information flows.
- Assisting leadership.
- Greater transparency in extractive industries.
- Strengthening local capacity by competitive systems of recruitment and retention.
- Identification of low-hanging development fruit, getting to make the policy changes first that will bring reward and assist a positive dynamic.
- Building a tax base.
- Prosecuting corruption. Arrests are not enough.
- Finding means to link with *diaspora* groups.
- Improving the skills base and promote excellence in the civil service. Here: Recruit the best from inside and outside; get donors to pay market-related salaries for key posts; focus on secondary vocational and tertiary education, but match to economic needs; put right people in place in districts and municipalities and pay them well. Critical conduit for growth and donor expenditure.
- Linking with global success stories: Ireland for *diaspora* groups, Dubai for infrastructure leverage, Singapore for public service excellence, Malaysia for poverty-alleviation, and Costa Rica for diversification.

Conclusion

It is crucial that African states focus on the "how to do it" rather than the "what to do." In this regard, it is incumbent on their leadership to prioritize and build both indigenous structures and constituencies for changing the conditions in which business can operate.

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