



Transparency and Accountability Network Africa's Economic Future

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Essay 0001

INR Roundtable on Africa's Economic Future

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Introduction

Thank you for giving ATCnet the opportunity to be here and to present our views.

There is a lot to say about Africa, but it will take a very long time to go through every aspect as we at ATCnet see it. I will highlight a few of the issues that are important from the perspective of our group.

Our group, ATCnet was founded by African professionals living in the United States and concerned about the progress of socioeconomic development in Africa, more than four decades after independence. We are convinced that socioeconomic development in Africa can be successful when it is approached from an African Perspective and employing Sustainable Solutions.

ATCnet comes at the problem of socioeconomic progress in Africa from the position that development has failed. This is not a question of an 80% grade versus a 90% grade ..All thing considered it is failure.

Learning from success

In our assessment of the problems in Africa, we have looked very hard at success. And the best example of success in the modern world is the United States of America. We have tried to understand what it is that has made this country such an amazing success story. In the USA we are able to take for granted the many things that go together to make the USA to be what it is. What is it then that makes America strong and rich and stable?

There are hundreds or thousands, of different things that add up to make the success of America possible:

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America is successful because it has a complete range of institutions and organizations and laws and rules and regulations that all combine to facilitate success and discourage failure.

Can America be better?

Ask any American, and you will hear thousands of ways in which it can be better. And the system works because many of these ideas find their way to implementation not in a revolutionary way but by quiet evolution as an integral part of a working and living organic system.

<p>Freedom Opportunity Rule of Law Effective regulation Civil liberties Wall Street – Capital Markets Chicago – Commodity Markets Pittsburgh – Steel Detroit – Automobiles Silicon Valley – ICT MIT / Bell Labs / Brookhaven – Amazing research Enron – pushing the envelope – freedom to innovate Corporate greats – GE, Boeing, IBM, Microsoft, Sears Roebuck, Walmart and thousands of others Financial institutions – Bank of America, CitiGroup, Goldman Sachs, Federal Reserve System Great engineering capabilities Bechtel, Great construction organizations Brown and Root, Bovis Great transport infrastructure ... Air Rail Roads Great communications infrastructure Reliable power infrastructure Small business millions of them Easy interstate trade Easy interstate movement (migration)</p>	<p>Trade unions – representing the worker Consumerism – representing the consumer Stockholder interest groups Environment Human rights Cheap power Fertile land Cheap imports Easy business environment Great people Great security Good police Good fire and other uniformed services Good courts Great schools universally accessible Great universities Noisy public that wants everything better Great tax base Complicated but appropriate systems for governance Surplus economy Market economy Complicated but appropriate systems for governance Surplus economy Market economy Freedom of religion Excellent management Creativity</p>
<p>And Many many more elements</p>	

Africa: the issues

Africa's potential and performance

Africa has an enormously untapped potential. It is an enormous place. Geographically, Africa is bigger than China and India and Europe and the USA and Argentina combined. It is home to around 800 million people. The continent has lots of "living space".

But most of Africa is desperately poor, and too many are hungry. It carries the identity of a continent ravaged by war, disease, famine and insecurity. There is dysfunctional government, dysfunctional society. There is the horror of the health and HIV-AIDS crisis. The "poverty" of Africa makes no sense on top of the wealth of Africa.

And Africa is fighting. There are competing groups fighting for control of resources. As official representatives of "government" or as rebels. There are refugees. There are internally displaced people. There is terrible disruption of the underlying economy, and agricultural economy that needs stable times to produce.

Africa has all sorts of problems that make the world headlines. But while terrible things are going on, there is also an amazing world of good things that are also happening. The economy is poor, but African's maintain a spirit, and a spiritual dimension that should not be underestimated.

What Africa gets and what it needs are very different

Support for Africa has not been based on Africa's needs but on the needs of others. For the past decades the cold war had an enormous influence on the flow of support into Africa, and nothing had to do with what Africa needed. Now the cold war is over, the flow of resources remains influenced by factors outside Africa. Studies show the initiatives are not much beyond words. The work and employment benefits donors more than the African beneficiaries.

Studies and workshops and conferences and publications

Studies and workshops and conferences and publications seem to be the dominant output of the ODA community. And what is a common theme of these studies and workshops and conferences and publications? It is that development progress has failed. For UNDP it is the human dimension of development, for UNICEF it is the children, for FAO it is agriculture, for the World Bank it is the world's poor, for the UNHCR it is the refugees and so on. None of these organizations is reporting success. What is going on?

Is NEPAD the answer?

NEPAD, the New Economic Partnership for African Development, "marks a real willingness for Africa to take its destiny into its hands and to formulate choices for its future", Bruno Bekolo Ebe, a professor at the University of Yaounde II, said at a recent conference in Dakar, Senegal. For him, NEPAD would allow Africa to pick up where the international community has failed. But for ATCnet NEPAD is conceptual, its yet to be tested if practical and implementable. The NEPAD initiative is African governments positioning themselves to be the beneficiaries of further development largesse. In our view it is not the change that is needed.

The UN's Financing for Development Initiative?

The recent Monterrey conference on Financing for Development was another in a series of UN and ODA initiatives that was long on study and preparation but short on practical change. Many proposals, few plans for practical action, and at the end of the day merely an exhortation that the process should remain the same, only bigger. For us the process needs serious reform.

The Global Fund for AIDS, TB and Malaria (GFATM)

The Secretary General's initiative to launch a global fund to combat AIDS has morphed into a combination fund for several diseases, and is likely to be a major program that

has ambitions that will never be matched with the funding. The initiative has gained popularity because of its money, and the likelihood that there will be many “pork” projects that can be funded through this fund. The really needy are not going to get much focus from this fund, though there will be some trickle down just to save complete embarrassment. The fund needs an information base to manage its resources and to ensure that there is good allocation of the resources, and it needs accountability information to ensure that the funds get used wisely. To channel the resources pooled within the fund through the government or the tradition methods of the past 25 years will not be a sufficient answer to the problem. The solution is for the Fund to maintain an open accountability process that shows its benchmarks are achieved at the grassroots. The evaluation of the Fund should be done from the perspective of gain met not amount spent. Its possible to justify any expenditure but its not easy to trump up impact, its either there or not there.

And then there are guns

The availability of guns in Africa has expanded enormously in Africa since 1975. Once it was just the military who had guns and these were rarely seen. But since 1975 guns have been everywhere. Crime has increased, and the damage done by crime is more serious now than before. Guns need to be outlawed and civil behavior encouraged. Guns empower thugs, both on the government side and in rebel groups. Without guns, and violence, talk and discussion can be the way forward.

And oil and diamonds and gold

Enormous wealth in Africa that has been and is being exploited without much benefit arising in the host communities include the three above. It is interesting that the richest individuals in the world have their fortunes as a result of oil and diamonds and gold, but the expense of any equity for the originating communities. The scope of this exploitation of Africa’s natural wealth is difficult to comprehend while the benefits to Africa are minimal. Too much of this wealth only gets to buy guns and create community mayhem. If we harvest oil, diamonds and gold, we should grow rice, soy, beans, cattle etc and feed our own. We should be able to create jobs, promote agriculture and the infrastructure.

And coffee and cocoa and tea and agriculture

A productive land producing loss making products for export because they generate export earnings has been going on for decades. The World Bank and other ODA experts had it absolutely wrong when they planned expansions of coffee and cocoa and tea to improve the balance of trade but in the process they created a production glut and decades of price slump and today it is practically impossible to be a producer in these industries without resorting to essential child slave labor. Who is responsible? The failing farmer, or a worldwide industry that has been “planned” into it present state by theoreticians in Washington and London and Paris and Rome and of course the government heads in Africa.

And population growth, and unemployment

And what about population growth. Better health increased longevity and increased population. All the initiatives to reduce family size are going to achieve limited results until there is education and understanding of its benefit. Its important to note that the impact of HIV/AIDS will not help family planning in the short run. A simple solution with limited impact will have to be addressed; unemployment has to be addressed through business investment and jobs. And there has been little done within the current system (ODA or otherwise) to get business investment increased and jobs created.

And what about privatization

This should not be about the government getting the most money so that they can reduce debt by paying back the international community. This should be about setting

the stage for a productive and performing economy. Moneys associated with privatization should strengthen public finance in the broadest possible way, not simply to address debt. In certain aspects of the privatization for example the telecommunications industry, privatization should follow more the lines of decentralization and equal access not government monopoly replaced by international private sector monopoly.

And debt

Debt should be canceled where the lenders were at fault. Debt should be repaid where the borrower was at fault. There should be accountability to determine what loans were effective and what loans funded failed projects. Who was responsible for failed projects, in fact, not just in law. Many independent consultants are of the view that the World Bank and the other big lenders were very much implicated in a process of bad decision making that resulted in failed development and a public finance crisis that is far more serious than just the debt overhang. Its easy to make the debt issue a matter of seeking forgiveness, but trade and opportunity are far more valuable to Africa than debt cancellation. If accountability is fairly conducted and the party at fault takes responsibility, we in ATCnet believe that the solution should be fair trade and technology transfer.

And foreign direct investment

FDI is tiny in Africa except for oil and mining. FDI is not going to serve Africa's interests simply because the prevailing business model requires the value to leave Africa and essentially minimize value left in Africa. But funding of African's investment in Africa is needed. This is possible, but requires a level of financial sophistication that has not been seen often in the ODA planning community. It can be done.

What role has Government played?

Development and government intervention in the economy and society has helped in the area of education and in health, but the advances made in the 60s and the 70s have been taken back in the 80s and the 90s. The cost of social services that became a government responsibility in the early days could not be sustained by the local tax base and the end result has been a complete failure of the public finance situation. The public finance crisis has been mirrored in the general financial crisis of each African economy as a whole. In part Government was expected to do much more than it had the capacity for. And funds never matched the challenges. Except in the area of military preparedness that was funded by both sides of the cold war to Africa's detriment. And government has played a role in facilitating FDI that destroyed economic value in the economy as a whole and in the community while enriching the corporate investor and their local partners and facilitators.

Is ODA a part of a solution?

For twenty years there have been Structural Adjustment Programs and growing conditionality from donors and the International Financial Institutions. As conditionality becomes more onerous, poverty for the people seems to increase as well. Official Development Assistance (ODA) has become more and more driven by a policy framework that has moved further and further away from the fundamental problems and the potential solutions envisioned by the African grassroots. America is about small business, and enormous resources are accessible by small business. Obviously the dot.com boom was a blossoming of small business opportunity, and maybe a little unusual, but small business is the big job generator in the USA in normal times as well. But in Africa, small business has been starved of resources almost everywhere and for a very long time.

Too much of government in Africa has been "anti-business", and the development community as a whole is not much "pro-business". Social organizations, the NGO community, do good works, but they are rarely sustainable solutions. They rely on public

funds and grants, and hardly ever have any structure that will allow them to be ongoing contributors to the economy. Every grant has a strategic objective (SO) that may address a certain aspect of African need but the formulation is not driven by local priorities by the African communities. In the long run this develops aspects that may not facilitate local development and is not mostly people driven.

ODA needs substantial reform in order to be effective for socioeconomic progress in Africa

Local Priority versus Globalization

Which way for Africa?. America success is about small communities Congressional Districts ...counties, cities, townships etc. Africa also is about small communities and traditional groups clans / tribes. Africans want their communities to be successful. They want their quality of life to be improved. They want their standard of living to be raised. And African communities usually know what would help them achieve these goals.

But how or where to get the financing to make these improvements? Nothing in the present day ODA arrangements makes it possible for communities to easily access resources they need to implement local projects. Maybe from time to time a World Bank project will arrive with some potential to help but normally the help is what the World Bank defines, in discussions with government and consistent with World Bank policy and program and conditionality and hardly ever reflecting above all else the priorities of the communities

The priorities need to be local. The funding can be global. Africa can easily compete on the world stage for funds if the financial community will allow funds to get used on African development and business priorities and not through the ponderous and fatally flawed prevailing business models for investment in Africa. To understand more of this argument write to ATCnet for a more detailed explanation of this view.

Accounting and accountability

It is the development community as a whole that is very lax about its accounting and accountability. This is welcomed by some of the corrupt in Africa, but not by ordinary Africans. Government in Africa can do very good accounting, and Africans can do very good accounting. The fact that there is little to no accounting in development, in projects and in field offices is not because of Africans, it is because of weakness in supervision and management in the ODA community and a second class view of the importance of accounting and accountability. This allows Africans to be blamed for failure, when accountability would show that the basic plans were flawed, and the basic assumptions used for planning were wrong, both in fact and systemically.

Why does Africa get food aid?

Why does Africa get food aid. This is a big question and not easily answered. Africa should have a strong food production capability. Africa should not be hungry. Africa should not need to get support from emergency food aid programs. But part of the answer is that the market economy for food in Africa has been terribly distorted by modernization of the economy. Traditional trade that crisscrossed the continent for centuries is now constrained by national borders and customs barriers and all sorts of disruptive rules and regulations.

But relief convoys get special dispensation, and duties and taxes normally charged do not need to be paid. But at the end of the day food relief not only feeds people but puts potential producers of food in Africa out of business. The market economy is about food shortage that results in high prices that encourages more production that reduces prices. In Africa the prevailing economic paradigm is food shortage results in increased malnutrition that results in food assistance that results in more food and lower market

prices for local food that results in reduced local production and the ongoing need for more and more food assistance.

International policies, WTO and FDI

ATCnet argues that the policies and practices of international development, including the internationalization of corporate America have not served at all to enable Africa's problems to be solved.

Surplus production and shortage economies

America is a surplus producing society, especially in agriculture and also in manufacturing and marketing of products and services. Surplus producing is a key issue.

But Africa has had a shortage economy during all of the industrial age. In fact, though Africa has been part of an international surplus producing system, the Africa part has been value destroying while the rest of the "chain" benefited. Low cost raw materials went into high price end products. This has happened all the way since industrialization happened in the 19th century.

Independence changed this to some extent, but the nationalization of the raw material producing industry in Africa served merely to formalize the loss making and value destroying aspect of system. There is hardly any raw material producing operation that has value without strategic links and collaborative arrangements with the manufacturing and marketing parts of the value chain. And this leaves Africa in a problem.

Africa needs open and easy cross-border trade. Africa needs market and trade information so that better production and marketing and distribution decisions can be made at the farmer level as well as the national policy stage.

Africa is still losing wealth through value destruction and the foreign direct investment model still ensures that the resources shipped out far exceed the value of any investment that gets in.

And the application of free markets does not ensure efficient markets. All the abuse possible in the market environment can happen in Africa as it does in any market, and the abuse can be accentuated in a chronic shortage environment.

If you look at the things that make the USA successful, too many are missing in the African context.

ATCnet sustainable solutions

Following are a few of the solutions that ATCnet views as pertinent to reversing this cycle of failure in African development.

African families and communities

ATCnet is founded on the concept that families and communities know what is best for their community even though it may not be what the NORTH thinks is best. It is clear that families and communities are very clear that staying alive is the highest priority, especially that children stay alive. This relates directly to security issues, food, water, shelter, clothing, health. Other priorities include education and economic security and other aspects of quality of life.

The solution for Africa is the people of Africa. The people need access to resources in an easy and fair way. With access to resources communities can progress, not in a one step to 21st century modernity, but can progress forward in a direction that will serve the community well. Community development in all its dimensions is what is needed, not for one or two communities selected by the international community, or indeed the government, but all communities, everywhere. This should not be based on writing of proposals but rather from a portal or database of organizations at grassroots level

across the continent that can be tested, verified and improved to serve the priorities of their respective communities. ATCnet is a people based organization and all our effort seeks the people dimension of development.

I would observe that the same goes for Afghanistan. Afghanistan's will have success if the people are given a chance.

Collaboration and cooperation

The ATCnet strategy is to collaborate with existing organizations in the NORTH and the SOUTH to implement economic value adding activities in Africa. To the extent the existing institutions and organizations cannot implement value adding activities, ATCnet will establish new structures. The single most important element of the strategy is the concept of value adding in Africa. ATCnet programs are based on the potential of people to create economic wealth when they have opportunity and there is a favorable climate for enterprise. The convergence of policy and technology makes this possible and least expensive.

ICT and Communications Infrastructure

ATCnet has developed a program for using ICT to support community development and education in Africa. Our programs have been designed around community priorities and the possibilities of modern technology. The program combines the best of technology and management in a framework that resembles a franchise program to give local investors an ownership interest. It uses technology and training to make it possible for local youth to become the employees of the centers, and to be beneficiaries of the programs.

A modern communications infrastructure makes it possible for information to be used effectively. The ATCnet strategy helps to create a comprehensive information infrastructure so that remote areas in Africa can be considered part of the known world. ATCnet is putting computers and Internet into schools, and linking schools with telephone and wireless so that there is an effective low cost communications infrastructure. The model is based on very low cost investment and very low cost operation, including low cost of capital so that service is affordable and sustainable.

Information

ATCnet is working on a program of information related to the Health and HIV-AIDS crisis in Africa. This may be the worst disaster in human history. Probably 25 million Africans are now HIV positive and some 7000 Africans die every day from AIDS related illness. The crisis is not just about money, it is also about human suffering and amazing performance by Africans in the face of the crisis. The ATCnet database will make it easy for the world to see what Africans are doing, and the scale of the problem. It will facilitate fund raising for these many informal initiatives that are so important. It will change the paradigm in terms of fund flows to address African issues. It will make it much less possible for organizations to raise money on the platform that they are working on the Africa health and HIV-AIDS crisis, when in fact very little of the program resources are actually delivered in Africa to the affected beneficiaries.

A key to giving Africa's people a chance is an information infrastructure. The USA probably has global knowledge related to security and the management of war and military interventions. But what is needed in addition is an information dimension for development so that communities can build and peace can prevail. And this information dimension about development should be accessible to the public, the public in the NORTH and the public in the SOUTH.

The ATCnet ICT strategy is all about information. Using database technology and Internet technology so that information about development is everywhere. The new advances in technology and the subsequent falling in prices should couple with local,

national and international policy to make the communication infrastructure a universal service.

Accountability and transparency

ATCnet recognizes that there are problems in Africa with the perceptions of accounting and transparency and corruption. There is also a history of failed development. Taken together it is now important that there is a comprehensive framework for universal accountability so that good performance can be recognized and poor performance identified and corrected. Accountability is not only about accounting, it is also about responsibility and analysis and decision making. The international community need to revise the accountability and transparency need to include both sides of the development coin. ATCnet will in May Launch a book "Turning Development Up-side-Down." To receive an abstract of this publication, write to info@atcnet.org.

Funding Africa, access to financial and technical resources

Financing for development is concentrated through institutions such as the World Bank and the UN system and bilateral organizations like USAID. International private investment in developing countries is mainly for large projects. Experience show that many of these projects are value destroying from a host country perspective. A new financing structure is needed that will focus on small investment for things that Africa needs.

The USA, the NORTH has amazing financial and technical resources. Africans needs to be able to borrow efficiently and access technical assistance to help with progress, and they need to do things that will enable them to pay back the funds borrowed. Only value adding projects get funded with loan money, when people (not organizations) must repay the loans. ATCnet wants to see a Community Development Loan Fund established that will allow communities, and small African business to borrow for meaningful works. And ATCnet wants to see this fund managed using a 21st century information management methodology so that there is essentially real time oversight of the status of the loans, even though they are all over Africa and in remote areas. The ATCnet methodology combines time tested traditional accounting with modern ICT to achieve excellence in accounting and accountability at low cost.

Learning organization

ATCnet is a learning organization and a work-in-progress. The challenge is huge, but the people resources to address the challenge are bigger. ATCnet needs help to make it possible for existing professional human resources in Africa to join forces with technology and finances and material resources and friends so that all the resources are able to work collaboratively to address the problems. ATCnet is actively recruiting friends and supporters in both the NORTH and the SOUTH.

Policy reform

The need for policy reform is apparent, but will take a very long time. ATCnet has a focus on changes that are needed so that people can do what is best. Everything else will come in step by step. Our team will participate in policy dialog because of the need to get practical improvement that benefits Africa in real ways.

ATCnet team

The ATCnet team is professional, mainly African, and totally committed to the concept of success in development in Africa.

ATCnet publications

ATCnet has written papers on privatization and FDI and ODA and other aspects of development. You can get some of these papers by writing to info@atcnet.org. many of the papers will be part of an ATCnet publication coming out soon.