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Highlights:

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Enough Promises, Africa Needs To Set Priorities

THIS year will mark the fifth year since the core elements of the New Partnership for Africa's Development were first put forward as the Millennium Africa Recovery Plan. The intention was to identify problems and find solutions to them. Unfortunately, Nepad has done a far better job identifying problems than building either the compass or capacity to solve them. Putting the continent on a sustainable upward growth curve requires making difficult decisions about what should come first.

To identify a sharper set of priorities that will accelerate African development, *eAfrica* conducted an extensive dialogue with 56 business organisations across the continent and compared what emerged with the findings of five new or recent studies examining the impediments to business growth in Africa.

An important consensus emerged: Corruption, the rule of law and neglect of infrastructure are primary business concerns, but they are not top priorities for many governments. Of the organisations interviewed by *eAfrica*, 52% reported that it was necessary to pay bribes to open a new business; 51% reported electricity failures at least once a week, with 1 in 8 citing daily blackouts. It's pretty hard to be competitive these days with a hand-crank cotton gin.

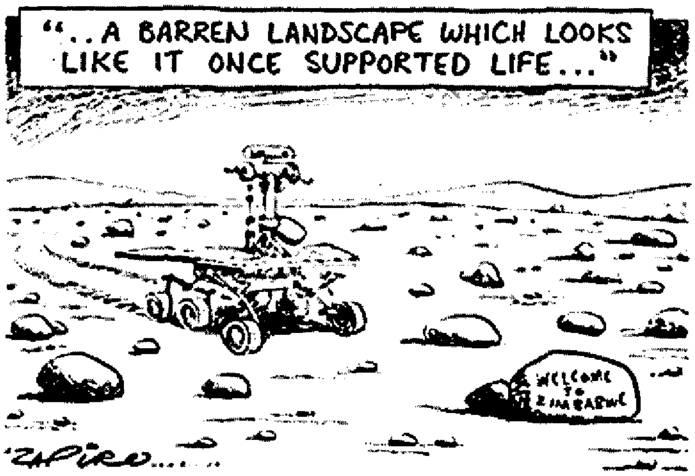
As 2004 gets under way, there is cause for cautious optimism. Peace deals are holding or coming together in Sierra Leone, Liberia, Côte d'Ivoire, Democratic Republic of Congo, Burundi and Sudan. Even beleaguered Somalia is cutting a path out of anarchy. Parliamentary and presidential elections in South Africa, Malawi and a raft of other countries hold the promise of making democracy a tradition.

But peace accords and polls come with no guarantees. For Africa to move forward, the continent's chief architects must recognise what business is telling them: Prosperity may be the first fruit of stability, but in Africa stability is dependent on prosperity. Years of conflict destroyed industry in many African states. Many of the continent's best managers, engineers, doctors and other vital professionals have left.

It is time to stoke the engines of growth. Give business what it needs to pull the continent: property rights, honest courts, streamlined regulations, access to credit, a dependable power grid. Industry and human capital are the building blocks of stability. Without them, Africa lives under the constant threat of conflict and enduring marginalisation.

In the following pages, we identify 10 growth-oriented priorities that Nepad should set, and the arguments why. – **Ross Herbert**

Verbatim



"In the daily lives of most people, terrorism and weapons of mass destruction are remote and hypothetical threats, but there will be no peace and no security, even for the most privileged amongst us, in a world that remains divided between extremes of wealth and poverty, health and disease, knowledge and ignorance, freedom and oppression.... Surely we should have learnt this by now." – UN Secretary-General Kofi Annan, commenting on how poverty, starvation, unemployment and deadly diseases are ignored in the global preoccupation with terrorism and weapons of mass destruction.

"Good governance is also a product of development, which is partly a consequence of time. To demand that young nations do the same as older ones is the same as demanding that a child who is still crawling should walk like an adult." – Mozambican President Joaquim Chissano, at the World Economic Forum, rejecting an opinion held by some in the West that African countries should behave like those that won independence centuries ago.

"We spend all that we earn to pay back the debt. That means all the revenue is going and there is nothing for development." – Demba Diop of Mali, deputy secretary-general of the Congress of the African Trade Unions Organisation, on Africa's heavy debt burden. Diop was speaking at the World Social Forum meeting in Mumbai, India.

"We think that remembrance is important in the construction of a united society because you can't have a united society without justice. Justice means first of all truth, and truth is not possible without remembrance." – Francois Gurambe, the chairman of the national survivor group Ibuka, or Remember, speaking with the BBC on Holocaust Day, 26 January 2004, about Rwanda's 1994 genocide.

"Unless it changes course – and fast – a nuclear terrorist attack on the United States will be more likely than not in the decade ahead."– Graham Allison, former Assistant Secretary of Defence for Policy and Plans, in the journal *Foreign Affairs*. He said US President George W. Bush has not come up with an effective strategy to prevent terrorists from acquiring weapons of mass destruction.

"How can he run a cabinet if he's not even in charge of his own kitchen?" – Esther Wanyeri, a retired company secretary, on reports that Kenyan President Mwai Kibaki is married to two women.

"Without peace, the people of Africa have no hope of sharing in the fruits of globalisation." – German Chancellor Gerhard Schröder, during his visit to Ghana in January 2004. Schröder pledged to cancel Ghana's €16.4 million debt to Germany.

"Creating a country and holding it together is a long-time endeavour and target dates tend to slip." – US Senator John Danforth, on the Sudan peace deal. The government and Sudanese People's Liberation Army have made progress in key areas, but have yet to sign a final peace accord.

"To his subjects, the isolated king on his hill is more and more appearing like Marie Antoinette." – A Swazi professional, on King Mswati III's extravagant lifestyle. The International Monetary Fund has criticised Mswati, one of the world's last autocratic monarchs, for lavish spending on redundant public projects.

"I will continue sacking Movementists who oppose me since I can replace them with many people who want their jobs. I still have power over my government." – Ugandan President Yoweri Museveni, referring to any and all ruling-party members who oppose amending the constitution to remove term limits on the presidency.

Too Many Holes in the Hull

Currency auctions and other emergency measures fail to keep Zimbabwe's economy afloat

TANGANDA, the largest tea producer in Zimbabwe and one of the country's most important exporters, had a pretty good crop last year. Despite low rains, it put Z$ 18 billion in profits on the books.

'Whatever that may mean,' sighed Andrew Mills, Tanganda's managing director.

Starved for foreign exchange and destabilised by the desperate policies of a failing regime, Zimbabwe has fallen through the bottom of the misery index: four-digit annualised inflation, 70% unemployment, negative interest rates. The currency is so unstable that exporters cannot calculate their earnings. Whatever Tanganda's 2003 net revenues might have been worth in US dollars a month ago isn't what they are worth now or might be next week.

'Electricy charges have to be paid in US dollars; soon phone bills will too'

Zimbabwe is creaking. Cracking. While the world dithers over what to do, eagerly hoping that South Africa will put its foot down and frustrated that it won't, Zimbabwe is sliding into a self-destructing economic void.

Four years after President Robert Mugabe started swinging his fists against every political foe real or imagined – on the farms, in the mines, the courts, the media, the boardrooms – the foundations of Zimbabwe's economy are being eroded in ways that will take a generation or more to repair. Exports have tumbled from US$2.2 billion in 2000 to US$1.35 billion in 2003, according to official figures. Not only is business collapsing, but the country is loosing technical and entrepreneurial capacity at an alarming rate.

The tanners and weavers, the hoteliers and sugar millers, the spinners and engineers and cabinet-makers are dwindling away. 'We have had a significant net loss of human capital,' said Luxon Zembe, director of the Zimbabwe Chamber of Commerce. 'That will have a major economic impact.'

And there is no end in sight. Despite repeated rumblings of impending political negotiations between Mugabe and the opposition Movement for Democratic Change, the economic destruction continues unabated.

New amendments to the Land Acquisition Act, which enabled the government to seize virtually all commercial agricultural land without compensation, pave the way for Mugabe to go after the country's largest remaining land owners: Tanganda's tea estates, Anglo American's vast sugar plantations, timber producers and any number of other agro-industries.

'The economy is not fragile, it's broken,' said Robert Bunyi, an economist on the Africa desk at Standard Bank in Johannesburg. 'Overall economic capacity is in decline. Overall social indicators are in decline.'

Critical shortfalls in foreign currency, caused largely by the collapse of agriculture, are at the root of the crisis. A fortunate few with ready supplies of cash have pulled through, even prospered. But overall confidence among ordinary citizens and the business sector has evaporated.

'No black industrialist would talk on record about the economy'

Most exporters, like the rest of organised commerce and industry, survived rising operating costs of between 400% and 750% during the last year because they could exchange 25% of their foreign earnings on the parallel market at the rate of about Z$6000 to US$1 through most of the last quarter of 2003.

In a desperate bid to ease currency shortages, Gideon Gono, the new reserve bank governor, opened foreign-exchange auctions in January 2004. The system enables exporters to trade more of their foreign exchange at a rate that falls somewhere between the official rate of Z$824 to US$1 and the parallel rate.

The auctions were meant to benefit both sides. The state would gain back much-needed cash from the parallel market and exporters would be able to conduct more business legally through their banks. There is some evidence of a modest positive impact. Currency speculation has tapered off, certain prices have fallen and parallel-market rates have tumbled.

But the auction rate is still managed – each transaction must be approved by the reserve bank – and by the start of February 2004 was pushing rapidly upward, leading economists to predict that renewed activity in the formal market may be short-lived.

In addition to multiple exchange and borrowing rates, exporters face other woes. Electricity charges have to be paid in US dollars. Soon phone bills will as well. Then there are the electricity cuts, declining worker productivity and crumbling roads.

Such is the fear of retribution that no black industrialist would talk on the record about their company's circumstances. Even many of the country's largest exporters have had to go to the Reserve Bank for bridging finance at the 30% rate supposedly on offer for the productive sector.

'We don't earn any Zimbabwe dollars and we were offloading at the previous parallel rate of Z$6000, so the drop for us is massive,' said one major black exporter. 'The bottom line is political, and until we engage the IMF and World Bank, which together with the donor community provided so much of our foreign currency, there will be continuing and deepening difficulties.' – **Peta Thornycroft**

Regional Shift in Tobacco Industry Reflects Losses to Zim Economy

IN THE highly lucrative world of tobacco production, Malawi and Zambia were never big players. No matter how much leaf the two southern African countries grew, they were no match on the auction floor in either quantity or quality for neighbouring Zimbabwe.

Now that's changing. If industry forecasts hold, Zambia will grow almost three times more tobacco this year than it did in 2000, from 4,300 tonnes to 12,000 tonnes, and Malawi will almost double its yields, from 10,700 tonnes in 2000 to 18,000 tonnes – impressive gains for two poor and landlocked countries that needed convoys of donated food to weather the past two years of drought.

During the same period, Zimbabwe's tobacco output has withered from 237,000 tonnes in 2000 to an estimated 60,000 tonnes this year.

Flight to New Fields

The reason for this reversal of fortunes is simple and, most likely, enduring: What Zimbabwean President Robert Mugabe chased away, his neighbours courted.

'It is our people, it is Zimbabwean expertise that they are using,' said Duncan Miller, president of the Zimbabwe Tobacco Association (ZTA), appraising the rapid crop gains across Zimbabwe's borders. 'The big tobacco multinational companies say they are expanding tobacco output in countries like Zambia, Mozambique and Tanzania. But all that is driven by Zimbabwean knowledge and expertise.'

For much of the past four years, as their country has crumbled under Mugabe's increasingly desperate and despotic rule, economic stakeholders and political observers have nursed the hope that Zimbabwe could be quickly rebuilt once the old man is gone. A favourable change in government, the thinking went, would

Zimbabwe's neighbours reap the spoils of Mugabe's violent land-acquisition programme. Photo © Eric Miller/www.eric.co.za

rouse goodwill among donors and restore investor confidence.

But the swift changes in regional tobacco production over the same period suggest a harsher truth: Mugabe's controversial land acquisition policies have so altered domestic and regional agriculture that whoever ultimately succeeds him will have to reconstruct a national economy permanently bereft of crucial pieces.

More than two-thirds of the country's 1,500 commercial tobacco growers have been run off their land. Some have sought refuge in the urban areas. Many more have been lured by neighbouring governments competing for Zimbabwe's spoils and big tobacco companies looking for more stable places to do business.

'There is no doubt about the pivotal role tobacco plays in the economy,' said John Robertson, a Harare-based economist. 'A drop in tobacco earnings means loss of revenue for the government to pay for fuel, electricity and other essential imports. Downstream, other industries will also be seriously and negatively affected.'

Angered by an opposition-led defeat of his proposed new constitution in a February 2000 referendum, which included provisions allowing the state to confiscate white-owned commercial farms without compensation, Mugabe marshalled bands of pro-government militants to seize the lands.

The president says he's only righting a colonial wrong. Two decades after independence, almost all of Zimbabwe's most fertile fields were still owned by about 4,000 whites. In the past four years, the government has forcibly retaken 95% of those lands – more than 11 million hectares.

Critics accuse Mugabe of manipulating a powerfully emotive issue to remain in office, thereby exacerbating an economic crisis already underway; the International Monetary Fund suspended balance-of-payments support in 1999.

Poor rains have added to the woes, resulting in severe food shortages. Agriculture was the backbone of Zimbabwe's economy and tobacco accounted for 45% of its annual foreign currency earnings.

A System Collapses

Inflation now hovers just below 600% and 7 out of every 10 working-age Zimbabweans can't find a job, according to government statistics and independent analyses.

Prior to Mugabe's land reforms, Zimbabwe was second only to Brazil in global tobacco exports. The industry was highly evolved. Farmers, free to grow as much tobacco as they wanted, sold their bales on world-famous auction floors to multinational corporations that, in turn, processed the leaf in factories inside Zimbabwe.

The Zimbabwe Tobacco Research Board, jointly funded through contributions from tobacco farmers and the government, gave technical and specialised services to boost production and improve quality. The ZTA, meanwhile, provided marketing support to the farmers.

Spooked by the chaos and violence of Mugabe's policies, the big British and American companies that invested billions of dollars over the years building factories in Zimbabwe have begun transplanting the means and methods of tobacco production to safer environments.

None of the three major multinational tobacco companies in Zimbabwe – the American-controlled Dimon Zimbabwe and Zimbabwe Leaf Tobacco and the British-owned British American Tobacco Zimbabwe – would divulge how many farmers they have so far recruited to leave Zimbabwe or how much money they have invested in the exercise.

'Once big companies shift their investments to neighbouring countries, they may never come back'

But ZTA marketing information executive Rodney Ambrose said Zimbabwe is losing more than just farmers. 'You have to appreciate that the Zimbabwe tobacco production model has proved to be workable and successful over the years and this is what they want to transfer into the region,' he said. 'Some of our technical staff are moving into the region. Even here at ZTA we have lost some people who have been recruited to go and start tobacco growers associations and guide farmers in those countries.'

Zimbabwe is already losing vital market-share to its top international competitors. Brazil, for example, is expecting to produce 200,000 tonnes more tobacco this year than last year, in an apparent move to fill the void left by Zimbabwe's declining yields.

Although obviously concerned about the immediate economic impact of tobacco's collapse, Ambrose is deeply troubled by the long-term damage. He worries that once the big tobacco companies shift their investments to neighbouring countries, they may never come back.

The upheavals in Zimbabwe have taught the companies to minimise risk by diversifying their operations across the region, said Jim van Heerden, the executive director of Zimbabwe's Tobacco Traders Association. The group represents multinational tobacco merchants in the country.

John Down, executive director of Tobacco Association of Zambia, estimates that the multinational companies have already invested about $35 million in the past 12 months sponsoring Zimbabwean farmers to start tobacco farming in that country.

Ironically, the same governments that have refused to criticise Mugabe publicly over the past few years have eagerly welcomed the farmers he has expelled and encouraged them to settle permanently in their countries.

'The government of the Republic of Zambia has welcomed the farmers,' Down said. 'The farmers, in turn, have helped expand the production of tobacco and food crops such as maize and in the process are also helping create employment for local people.'

On the other side of Zimbabwe, Soares Nhaca, the governor of Manica province in central Mozambique, said in January 2004 about 100 Zimbabwean farmers have resettled there and were helping to boost production of tobacco, cotton and maize. In the process, he said, they have already created about 4,000 local jobs.

Both Down and Nhaca said that while the Zambian and Mozambican authorities welcomed the Zimbabwean farmers, they were taking a cautious approach, hoping to avoid recreating in their own countries Zimbabwe's pattern of race-based inequalities in land ownership.

'Obviously, the Zambian government is aware and the farmers who are coming to establish their businesses here are aware,' Down said. 'No one wants to let what happened in Zimbabwe happen here.' – **Abel Mutsakani, Harare**

Hunger, But No Famine

THE predictions certainly seemed plausible. Mix drought with Mugabe's chaotic upheaval on the commercial farms and what once was a bread basket was bound to become a dust bowl. Aid agencies have warned repeatedly over the past three years that half of Zimbabwe's 12 million citizens were sitting on the brink of starvation.

But catastrophe never followed. Despite poor rains and paltry harvests, Zimbabwe has not seen the kind of mass starvation that the Horn did in the 1980s. Shelves are often bare, but people are coping.

Did donor organisations cry wolf? 'The crisis was overstated in terms of the threat of famine, but at the same time the chronic roots of the crisis were understated,' according to the Oxford-based organisation Valid International. In addition to drought and the land reforms, HIV/Aids, 70% unemployment and runaway inflation have added to Zimbabwe's food emergency.

Several factors, however, have helped avert disaster – so far. 'Millions needed food assistance to stay alive and to retain their assets to recover and be productive after the acute crisis subsides,' said Richard Lee, a spokesman for the World Food Programme, which distributed 452,955 tonnes of donated grain to Zimbabwe between July 2002 and June 2003. 'But we never called this a famine.'

Lee praised swift international mobilisation, generous donor response, effective humanitarian relief strategies and governmental cooperation in Southern Africa.

Adaptation has also played a role. 'People cope by cutting down on meals eaten per day, or they are forced to sell cattle and other assets,' said Elijah Mukhala of the SADC Food Security Programme.

Many girls have been forced to marry earlier than usual, Lee added, and others have resorted to prostitution. There has also been extensive game poaching and livestock theft.

Valid International stressed that the many urgent appeals by relief organisations were meant to prevent rather than respond to a crisis. – **Steven Gruzd**

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A Business Vision for Africa

THE New Partnership for Africa's Development offers a coherent outline of the many interconnected problems that must be solved to develop the continent. But it lacks one critical thing: clear priorities.

Nepad does note that Africa must end conflicts and develop more effective institutions for doing so; improve governance; open foreign markets; cut Africa's debt burden; and radically improve education, health, and infrastructure. In a world of unlimited funding, Africa could work on all those areas simultaneously.

But Africa does not have unlimited funds. Donors presently give only about $14 billion a year in aid to the continent, according to the World Bank. Africans say they need $64 billion in investments to meet their growth targets.

Assuming such shortfalls are a permanent condition, how should Africa decide among the many worthwhile needs? If Africa simply pushes equally on all its priorities, failing to fund any one sector sufficiently, it will continue making progress at the same glacial pace of the past 40 years. The rest of the world, meanwhile, will speed further ahead and the continent's marginalisation will worsen.

What percentage of senior management's time is spent with officials negotiating or obtaining licenses, regulations, permits or tax assessments?	
Lesotho	24.56 %
Tanzania	14.4 %
Mozambique	14.12 %
Zambia	13.92 %
Zimbabwe	9.76 %
Mauritius	9.58 %
Malawi	7.89 %
South Africa	7.63 %
Namibia	7.56 %
Botswana	5.82 %
Swaziland	3.41 %

Source: World Economic Forum, Africa Competitiveness Report 2000/01 survey of business executives.

Although there is progress in individual African countries (growth rates over 5% were recorded in 14 African countries in 2002, according to the World Bank), the UN Development Programme's *2003 Human Development Report* is unequivocal about the continent's overall prospects. 'Unless things improve, it will take Sub-Saharan Africa until 2129 to achieve universal primary education, until 2147 to halve extreme poverty and until 2165 to cut child mortality by two-thirds. Economies have not grown, half of Africans live in extreme poverty and one-third in hunger, and one-sixth of children die before age five – the same as about a decade ago.'

The fundamental problem posed by Nepad for national governments and aid donors alike is how to choose between competing priorities and concentrate on those few that will have the greatest positive effects early on. Universal primary education, for example, may be desireable, even moral, but it won't necessarily have an economic payoff for a generation. Better roads and ports and changes in governance, on the other hand, can have immediate economic benefits.

Diverse Business, Common Concerns

Compiling a list of business priorities is no easy task. Businesses come small and large, informal and formal. African owners serving local markets have different problems than international investors. Businesses involved in different stages of production – such as miners and metal manufacturers, yarn spinners and garment makers – will have different views on particular trade-policy questions.

Information about the real dynamics of business decision-making in Africa has historically been difficult to find, but recently there has been a quantum leap in the breadth and depth of business research. 'More African countries are

The Surveys Behind This Report

- *Doing Business in 2004: Understanding Regulation,* a collaboration by the World Bank, International Finance Corporation and Oxford University. This extensive new study examined the quality of governance and regulation in 130 countries and the impact particularly on smaller, domestic companies previously overlooked by past research.
- *The Global Competitiveness Report*, based on the World Economic Forum's latest Executive Opinion Survey (to be released in early 2004). WEF created a measure of national economic competitiveness based on three broad indices: the quality of public institutions, the level of technology and the macroeconomic environment. All three indices are based on a survey of some 8,000 business executives in 102 countries, including nearly 2,000 responses from 25 African countries.
- The *Business Environment Survey 2003*, conducted by the Commonwealth Business Council. This study compared private-sector views on the environment for business and investment in 31 Commonwealth countries, including 16 in Africa.
- The *Foreign Direct Investor Perceptions in Sub-Saharan African 2003*, published by The United Nations Industrial Development Organisation (UNIDO). This survey polled 758 enterprises with more than 30% foreign capital in Africa.
- *African Elite Perspectives on AU and Nepad* (released January 2004), by South African researchers Hennie Kotze and Carly Steyn and funded by the Konrad Adenauer Foundation. The survey questioned 'elites' in government, civil society organisations, academia, trade unions and other key sectors in Algeria, Kenya, Nigeria, Senegal, South Africa, Uganda and Zimbabwe.

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being added to the big global surveys and indices. There is more and more information on business in Africa out there now than, say, five years ago,' said Susan Lawson of the Johannesburg-based market research firm Markinor.

In considering the difficult question of setting priorities, *eAfrica* looked in two directions. In November and December, *eAfrica* conducted the *African Priorities Survey of Business Organisations*, an extensive discussion with 56 major local business organisations in 31 countries in Africa. In addition, we scrutinised a slate of new global and regional surveys that provide important new insights into both the dynamics of business growth and the things that impede Africa's economic advancement **(See box, page 6)**.

Despite the differences among businesses and nations, these surveys reach remarkably consistent conclusions over time and across countries. They conclude that the single biggest priority for Africa must be to extinguish the ongoing conflicts on the continent and to entrench political stability. While wars rage, economies don't grow.

A survey entitled *African Elite Perspectives on AU and Nepad,* released by South African researchers Hennie Kotze and Carly Steyn in January 2004, asked participants to rate the most important obstacles affecting Africa. All seven countries polled ranked political instability among their top three concerns. Asked what they thought the top priorities of the African Union should be, participants in all seven countries put peace in Africa as the top goal.

As the Nepad document itself notes, peace is the *sine qua non* of development. On this score, Africa is making some progress in Burundi, DRC, Sierra Leone and Sudan. But there is a huge difference between absence of war and a thriving economy. **(See opinion, page 13.)**

We should note that three key issues of major concern to business were not addressed in this report because they require more specialised investigation: trade strategy, debt relief, and management of and communication about HIV/Aids. These topics were mentioned frequently in interviews, however, and cannot be left out of any national or continental economic strategy.

Infrastructure: Get The Basics Right

All the surveys we considered strongly emphasise the need to improve Africa's crumbling roads, derelict railways and inefficient ports and airports. A critical observation arises again and again: The old World Bank model of development favouring large-scale projects hasn't worked. What's needed is something far less grand: regular maintanence of the basic transport, electrical and telecommunications services already built.

As one Chamber of Commerce executive told *eAfrica*: 'It is impossible to have circulation of products with broken roads and bridges and with a lack of electricity.' Another said: 'The state of the roads in the rural areas is poor, but our biggest problem is electricity blackouts. Last year a study through our organisation found that there had been a 30% loss in work hours throughout the country due to power cuts.'

Of the business organisations that we spoke to, 51% reported electricity failures at least once a week, 30.4% had failures a few times a week and 1 in 8 reported daily power blackouts.

"Should we build the massive grand infrastructure projects or allow infrastructure to grow organically from people's needs? This new super highway from Johannesburg to Walvis Bay in Namibia goes through no-man's land in Botswana. It hits no major towns. So how does that develop their economy? And we see this top-down wasteful development thinking all over Africa. Development in Africa disappears into dust 40 miles out of the cities. We should put the money into upgrading existing rural roads." — Dot Keet, research fellow for the Alternative Information and Development Centre based in Cape Town, South Africa, is a trade and development activist critical of development orthodoxy in Africa.

'In Sub-Saharan Africa, investment in telecoms has gone well, particularly in the huge cellphone boom,' said Reg Rumney, head of the Johannesburg-based Business Map, which conducts research on business conditions in Africa. 'Energy generation and exploration has progressed fairly well. Butt transport – maintaining our roads, ports and railways – has been dismal.'

That's not to say phones are not a key problem. It takes an average of five years on a waiting list to get a fixed line telephone in African countries, according to the International Telecommunications Union. Peak-time telephone rates from South Africa to fixed lines in the 31 countries *eAfrica* examined, for example, averaged about $1 per minute and were as high as $2 per minute. Calls of similar length from South Africa to either Britain or the US, in comparison, cost less than $.50 per minute.

Rails are often cheaper than road transport, but business leaders said chaotic management, losses of stock in transit and uncertain scheduling contribute to the ongoing shift toward

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road transport. Despite the continent's growing dependence on trucks and tarmac, however, roads both major and minor suffer from costly neglect **(See story, page 16)**. One World Bank study found that charges for international freight were 2.6 times higher than in other regions of the world; the cost of moving goods from Abidjan to Addis Ababa is 3.5 times the cost of moving goods from Abidjan to Tokyo.

Infrastructure is expensive, but failure to maintain it costs far more. Maintenance has routinely been a condition of aid grants and loans, but African leaders have tended to ignore it, favouring current consumption over the care for current assets. We have to ask why. As far back as 1994, the World Bank observed that the 'timely maintenance of $12 billion would have saved road reconstruction costs of $45 billion in Africa in the past decade.'

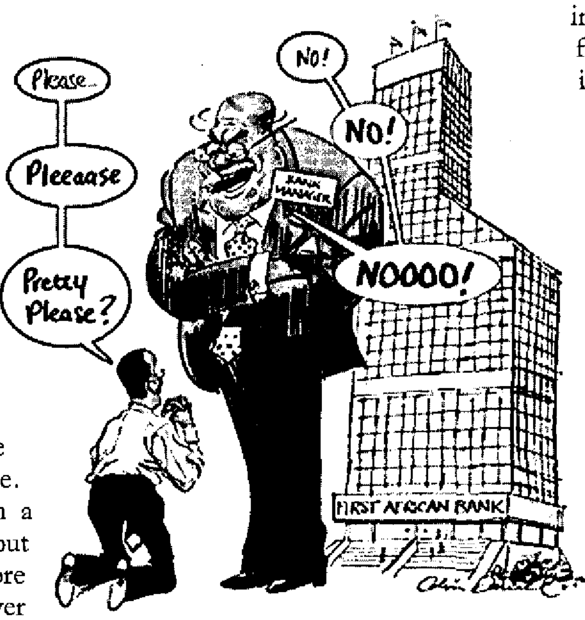
If Africa is to start a virtuous cycle of growth, it must shift away from consumption and focus more attention on its vital transport and utility infrastructure.

End the Credit Crunch

Difficulty in getting credit and high interest rates were repeatedly cited as one of the greatest inhibitors to starting or operating a business in Africa in our discussions with entrepreneurial organisations. Without money to establish or grow firms, the problems of unemployment, growth and poverty cannot be addressed.

Many business organisations considered banks overly averse to risk, more inclined to impose onerous collateral requirements than back new ventures. Small businesses, in particular, were unable to meet or unwilling to accede to the formal procedures (e.g. a year of audited accounts) required for banks to extend credit, and have had to resort to their own resources and networks to raise capital.

'The most difficult factor is access to credit,' explained one exporters' association in West



Africa. 'Large- and medium-sized businesses can secure credit more easily, but 90% of our economy is made up of micro-businesses that really struggle to get credit.'

A variety of easy-credit schemes – managed sub-inflation lending rates in Zimbabwe; government loans to small business in Botswana and South Africa; unsecured agricultural loan programmes nearly everywhere on the continent – have failed as funds flowed outward but were never repaid. These approaches have not solved the problem because unwillingness to provide credit is intimately tied to a host of interwoven failures of governance and support institutions.

> **"The most serious inhibitor to business-growth development in this country is the lack of financial services that consider investment initiatives on their *viability* rather than on the security they provide while applying for funding. While foreign direct investment only comes into the country based on potential, domestic investors have limited financial capacity and their access to finance is barred by this huge collateral requirement, and simple commercial lending facilities that do not consider long-term aspects of business development."**
> – An Ethiopian business organisation.

No Growth Without Rule of Law

The credit crunch will not be solved unless governments address the rule of law. While Nepad has focused on big ideas and tabled a list of infrastructure mega-projects, the interviews conducted by *eAfrica* and the research surveys considered in this article all stress one element that should be seen as potential good news: Africa may not be able to control such things as trade talks or debt relief, but its governments do control a cluster of institutions that, if improved, could transform the African business environment at modest cost without waiting for outside aid or concessions.

The systems for enforcing contracts, collecting debts and dealing with the state are essential to economic growth and industrialisation. All the major studies cite severe deficiencies in court systems; ambiguity over property rights; cumbersome bureaucratic procedures; and inability to enforce contracts. These problems are not unique to Africa, but as the most marginalised region in the world, Africa has far less ability to absorb their impact.

'What a lot of people haven't highlighted [in Nepad] is the rule of law,' said Strive Masiyiwa, head of Econet Wireless mobile phone company, which has operations in six African countries as well as in the UK, France and New Zealand. 'I'm not talking about the obvious thuggery of dysfunctional regimes but the day-to-day effectiveness of the legal system. The people in power don't consider themselves subject to the law. The courts don't work. The reality is there are only about five countries in the sub-continent where the courts work to protect legal rights.'

A business organisation in one small southern African country put it this way to *eAfrica* researchers: 'On paper, it looks like our government is trying to fight corruption. But, in fact, its another story.

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There are cases relating to corruption that are just hanging in court. For example, six cabinet ministers have corruption charges against them and as yet they have not been tried. The problem, as I see it, is that the state prosecutor is subject to influence from a higher authority. Another problem is that a new law allows the office of the president the final say on tenders for contracts. The law was supposed to curb corruption, but from my personal experience it doesn't. Contracts are turned down for rather dubious reasons by people who know nothing about either the process or tender.'

Such conclusions were echoed by UNIDO, which called for transparency in the legal system; by the World Economic Forum, which rated the quality of public institutions as one of the pillars of growth; by the Commonwealth *Business Environment Survey*; and by the the World Bank's *Doing Business in 2004* study.

Doing Business in 2004, the most detailed examination of government institutions affecting business, found many small, but easily fixable problems contribute greatly to economic stagnation. Take courts, for example. The ability to swiftly and fairly settle commercial disputes is missing in much of Africa, which not only allows white-collar crime to go unpunished but also scares off foreign investors who fear that if a dispute arises there will be no way to enforce business contracts.

The court problem in turn spawns other problems. The harder it is to collect debts through legal processes, the more banks insist on high amounts of collateral, which in turn exacerbates the problem of severe credit shortages.

Doing Business found that the cost of enforcing a simple commercial contract was 1% of the disputed amount in Australia, Canada and the United Kingdom, but more than 100% in Burkina Faso, Madagascar, Malawi, Dominican Republic, Indonesia and the Philippines. The report also found that it took more than 500 days to resolve a payment dispute in eight of 31 African countries evaluated. It costs almost 60% of average annual per capita income in sub-Saharan Africa to resolve a payment dispute, compared to just 7% in the developed world.

In the *Global Competitiveness Report*, Daniel Kaufmann of the World Bank Institute noted that such failures to enforce the rule of law and protect contracts and creditors has dramatic economic consequences across the developing world. 'National governance matters,' he said. 'A country that significantly improves key governance dimensions such as the rule of law, corruption, the regulatory regime and voice and democratic accountability can expect in the long run a dramatic increase in its per capita incomes and in other social dimensions. Specifically, if, for instance, the quality of rule of law were to improve by one standard deviation from, say, the current relatively low level of Ukraine to the "middling" level of South Africa, a four-fold increase in per capita incomes can be expected in the long run.'

Not unrelated is that old chestnut red tape. *Doing Business in 2004* interviewed entrepreneurs around the world and found a very direct relationship between cumbersome regulation and lower productivity. It made three critical observations:

- There is a strong relationship between the amount of employment-market regulation and the percentage of the economy in the informal sector.
- The countries that regulate most have the least enforcement capacity and the fewest checks and balances to ensure regulatory discretion is not used to exact bribes.
- There is a strong relationship between the number of procedures required to register a business and the amount of corruption.

The primary corrosive

Failure to consistently enforce the law, and lack of transparency in tendering, issuing permits, making tax assessments and adjudicating disputes, enables corruption to flourish.

The real impact of graft on an economy is difficult to quantify because often the only players aware of corrupt transactions

Portraits of Graft In the Moi Era

OVER a seven-year period, nearly one-third of all government revenues in Kenya were lost to shady deals, embezzlement, unauthorized spending and lax revenue collection, according to a study of the findings of Kenya's Controller and Auditor General's reports from 1990 to 1997. The study, *A Survey of Seven Years of Waste,* released by the Nairobi-based Centre for Governance and Development in 2001, offered a detailed picture of corruption during the 24-year tenure of former President Daniel arap Moi.

Funds were drained from the treasury without parliamentary consent through 'pending bills', under which officials committed government to pay for purchases or construction for which there was no valid authorisation. Later, the work would be halted long before the project was finished, and a contractor would demand and receive payment from government – including interest and late penalties. As a result, a huge number of schools, clinics and roads cost the public millions but were never completed. The study found that only 3% of the projects begun by the office of the president were ever completed **(See story on corruption, page 14)**.

A survey conducted by the Anti-Corruption Police Unit in 2002 found that 75% of respondents had witnessed corrupt activity and 60% were victims of it. Out of that 60%, 49.9% reported that they had to pay a bribe to obtain service from a civil servant.

The Kenyan branch of Transparency International interviewed 1,164 Kenyans about their dealings with public institutions. Two-thirds of respondents reported having to pay bribes or facing negative consequences for refusing to do so. The highest incidents of bribery involved encounters with law enforcement, the ministry of lands, the attorney general's chambers, the Nairobi city council and the Agricultural Finance Corporation.

The survey designers noted that corruption under Moi was an organised system of extortion in which junior officials at each level of the police and other agencies pay over portions of their illicit takings to superiors.

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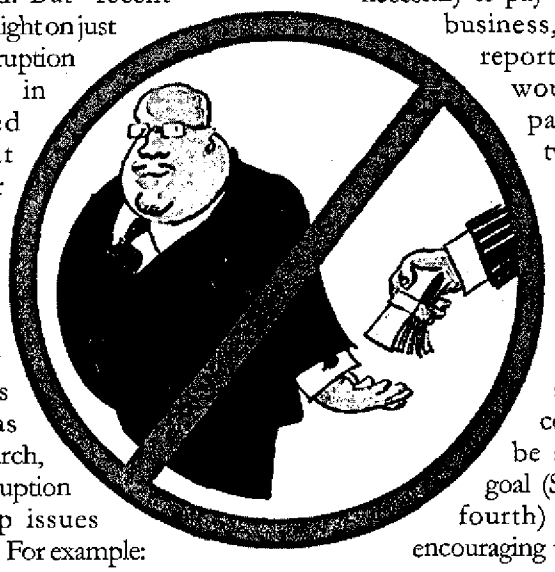
are those involved. But recent research is shedding light on just how damaging corruption is, particularly in resource-starved economies that cannot afford for substantial portions of revenue to be diverted to a tiny political class.



Every study consulted in this report, as well as *eAfrica*'s own research, concluded that corruption is one of the top issues holding Africa back. For example:

■ Across Africa, 52% of business organisations told *eAfrica* that it would be necessary to pay bribes to open a business, with 1 in 7 reporting that bribes would have to be paid more than twice.

■ In *African Elite Perspectives on AU and Nepad*, respondents in all countries except Senegal said fighting corruption should be a top-three AU goal (Senegal ranked it fourth) behind encouraging trade.

■ The World Economic Forum noted that 'the enterprises from developing and transition economies included in this year's survey single out corruption and excessive bureaucracy among the top constraints to their business operations, while respondent firms from the OECD single out excessive bureaucracy and the tax regime.'

"My government has put in place many instruments against corruption at the judicial, legislative and executive level. But in the implementation, there is too much slackness and lack of efficiency." – Chamber of Commerce in West Africa

"The government has gone a long way in reversing the trend we have seen in the last 10 years. There is a genuine attempt to eradicate corruption. It is used as a political tool, though, and the government pays lip service to it." – Chamber of Commerce in Southern Africa

"Government efforts to fight corruption are not effective at all. Although they have been advised of various cases, the government remains mute and does not act. In fact, they protect the culprits." – Chamber of Commerce in West Africa

"While there are investigators, there are no prosecutors, so the anti-corruption agency has no power. There is no willingness to fight corruption in government – only to pursue votes." – Exporters Association in East Africa

Many African countries are taking some steps to tackle graft. But there are serious doubts about the effectiveness of the measures as well as the depth of their political will to fight corruption. In some countries, business leaders implicated their heads of state, members of parliament and even the police and anti-corruption agencies as perpetrators.

'The big difference between Africa and other societies, which admittedly have corruption, is that here it is so deep and people are so greedy that it threatens to destroy the entire economy,' said Zimbabwean economist John Robertson. 'Enron did a lot of damage, but did not send the US economy tumbling. I often use the analogy of corruption as parasites, like ticks on a dog. In many parts of Africa, the ticks have become bigger than the dog. African civil servants are not answerable to anyone, and their jobs are an opportunity to grab as much as they can. It will take years before anyone bothers to trace the evidence.' – **Ross Herbert and Steven Gruzd**

Africa's Top Priorities: What The Surveys Say

Commonwealth Business Environment Survey 2003: 'The top three perceived barriers to investment, as ranked by private-sector respondents in both developed and developing countries, were: corruption; policy instability; and inadequate infrastructure.'

World Bank *Doing Business in 2004:* 'Heavier regulation is generally associated with more inefficiency in public institutions – longer delays and higher costs – and more unemployed people, corruption, less productivity and investment, but not with better quality of private or public goods. The countries that regulate the most – poor countries – have the least enforcement capacity and the fewest checks and balances in government to ensure that regulatory discretion is not used to abuse businesses and extract bribes.... Clearly defined and well-protected property rights enhance prosperity. Rich countries regulate business in a consistent manner. Poor countries do not.'

World Economic Forum *Global Competitiveness Report 2004:* Quality of public institutions, the macroeconomic environment and technology are the key ingredients of national competitiveness.

UNIDO *Foreign Direct Investor Perceptions in Sub-Saharan Africa 2003*: 'Political stability and economic stability were the most important factors to foreign investors in their country evaluation. These were followed by five other important considerations: country legal framework, investment-climate transparency, quality of infrastructure, low labour costs and skilled labour availability.'

***African Elite Perspectives* survey 2003:** Elites in seven African countries were asked to rank the top obstacles to Africa. All included political instability and corruption among their top three obstacles. Zimbabwe, the one exception, put political instability, poverty and debt as the top issues.

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Growth Priorities for Nepad

WE BEGAN this study with the question: How should Africa choose between its many needs, given limited financial resources, and to what extent should business imperatives influence the setting of development priorities? Our research, and the other studies we consulted for this report, identified two consistent themes: Get the basics right and focus on programmes that spur growth.

Social spending is essential to political stability. But the decrepit state of Africa's infrastructure suggests that government spending has shifted too far toward current consumption and too far away from maintenance of the physical assets essential to commerce and development.

The following is a partial list of ideas that would define a pro-growth African agenda from a business point of view. It draws on the findings of the preceding pages, as well as two other studies conducted by the South African Institute of International Affairs: *Integrating Prosperity: A Business Plan for Southern Africa* and *The Experience of South African Firms Doing Business in Africa: A Preliminary Survey and Analysis.* **(Both are available on request by e-mail.)** All the surveys note that ending conflict and solving political instability are prerequisites to accelerating growth in Africa and reversing the continent's economic marginalisation.

Reform Legal Systems

1 Fight corruption at all levels with effective and transparent institutions.

- Install genuinely independent, well funded anti-corruption authorities with the power to prosecute without political interference.
- Strengthen the powers of banking and financial regulation to stop the laundering of illicit funds.
- Improve legislative oversight by a) increasing the powers of parliamentary budget committees and auditors general; and b) ensuring that they have sufficient staff to investigate improper spending within months of the end of the fiscal cycle, rather than years.
- Improve public access to information on government spending.
- Publicly disclose political party financing.
- Require politicians and senior civil servants to fully disclose their wealth and business interests before and after each term through a register open to all members of the public.
- Adopt and enforce internationally accepted policies on conflicts of interest and transparent management of tendering.
- Require full disclosure of all fees paid by oil, gas and mining companies to government. Pass laws requiring that any company operating in any African state fully disclose all fees and bonuses paid for exploration and development work worldwide.

2 Build fair, efficient and transparent legal institutions: Reform the full range of legal and regulatory institutions that commerce depends upon courts; debt-collection processes; tax assessments; business-licensing procedures; and government-tendering practices. Identify the length of current backlogs and set clear targets to improve the speed and efficiency of regulatory and judicial systems.

3 Expand private land ownership and simplify land-purchasing procedures: Establish a free market in land ownership with a proper land register and security against claims of ancestral ownership. Phase out communal land systems to enable people to sell and borrow against the value of their land. Begin by formalising ownership rules in urban and peri-urban areas.

Improve The Business Environment

4 Adopt Africa-wide macro-economic and deficit-reduction targets: Demonstrate a commitment to fiscal discipline by adopting a pledge to maintain single-digit inflation and budget-deficit targets while reducing interest rates to affordable levels.

5 Remove trade bottlenecks: Set an Africa-wide target of one-hour customs clearances at border crossings. Computerise port and airport customs posts under private management contracts to eliminate corruption and improve revenue collection.

6 Build genuine one-stop investment centres: Properly fund, staff and empower national investment centres to improve the speed and efficiency of procedures for starting new businesses.

7 Eliminate restrictions on the movement of skilled labour: Streamline work-permit rules to allow top managers, professionals and technical experts to find work anywhere on the continent.

8 Reform education aggressively: From primary to tertiary levels, curricula are still largely based on colonial models and are not specifically tailored to the kinds of jobs available. Focus curricula on developing needed artisanal, managerial and technical skills required in modern economies. Create tuition incentives to expand the number of students enrolling in scientific and technical subjects at secondary and tertiary levels.

Emphasise Infrastructure

9 Accelerate privatisation or management concessions on key infrastructure: Privatisation – and the use of management concessions – has dramatically improved quality of service and captured major private-sector investment in telecommunications, road, rail and port sectors. Every dollar of private investment frees up a dollar of government funds for other vital needs. Privatisation in telecommunications also speeds up the diffusion of new technology.

10 Prioritise maintenance: Create public-private supervisory boards with industry participation to ensure that roads are repaired and machines kept clean. Reform auditing and tendering rules to ensure transparency. – **Ross Herbert and Steven Gruzd**

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Freeing Business From A Tangle of Red Tape

IT TAKES on average 4.3 days to satisfy the regulatory requirements to start a business in North America, according to the World Bank. In Africa, it takes 69.5 days.

It's no economic secret that lumbering bureaucracies undercut productivity, encourage commerce outside the formal sector and fuel corruption, but Africa has been slower than other parts of the world in recognising this. Now that's starting to change. More and more countries on the continent are beginning to streamline their regulatory regimes to jumpstart their economies. The new government in Kenya has begun moving towards a single business permit. Uganda recently launched a pilot streamlined trade-licensing system.

To encourage faster movement in this direction, the Commonwealth Business Council launched an initiative in Abuja, Nigeria, in December 2003 called 'Cutting Red Tape for Business in Africa.' The programme, implemented with the Johannesburg-based Small Business Project, promotes 'regulatory best practice' among key players in business and government.

Five principles of smart regulations

Proportionality: Regulators should intervene only when necessary. Remedies should be appropriate to the risk posed, and costs identified and minimised.

Accountability: Regulators must be able to justify decisions and be subject to public scrutiny.

Consistency: Government rules and standards must be implemented fairly.

Transparency: The regulatory process should be open, simple and user-friendly.

Targeting: Regulations should be focused to minimise side-effects.

Source: SBP: Gaining Momentum, November 2003

'There is the inertia of bureaucracy,' said Douglas Irvine, SBP general manager. 'Civil servants have a vested interest in the regulations they implement. Perhaps more importantly, there is a lack of awareness of what is called the "costs of compliance"' – costs incurred in meeting regulatory requirements, such as fees for lawyers and accountants. Small and medium enterprise – the 'missing middle', as Irvine calls them – are particularly affected.

The Commonwealth Red Tape initiative coincides with a worldwide push for deregulation. Analysts warn that terms like 'red tape', 'best practices' and 'appropriate regulation' can be misused by proponents of deregulation. Streamlining bureaucratic procedures is one thing, extensive dismantling of regulatory safeguards another. Opponents of the latter warn that overzealous deregulation erodes labour and environmental-protection standards and allows corporations to manipulate supply and demand. Look no further, they argue, than the accounting scandal at Enron, energy shortages in California and petrol price hikes in Nigeria.

'In some cases, deregulation has simply gone too far,' said David Jarvis, an analyst at the National Labour and Economic Development Institute in South Africa. 'What we see is cartels taking over regulation, where government has pulled out. In other cases, there is legislation, but enforcement is lacking. We do not believe that the law is onerous in most Africa countries, certainly by international standards.'

There is agreement, however, that regulatory reform should be an inclusive process in which all stakeholders work with government to generate a regulatory impact assessment. Streamlining procedures and identifying where new rules are needed – to protect investments and property, for example – should be based on a thorough investigation of implied consequences.

ECONOMY WATCH

Withering Husks: Poor rains in Kenya, Tanzania and South Africa will drastically affect maize yields this year, relief agencies warned. Tanzania had already planned to import about $3,6 million worth of maize from Kenya, which now expects its own crop failures.

Out of favour: Concern about Zambia's apparent lack of fiscal discipline has led the International Monetary Fund to suspend debt relief to the Southern African country. The IMF said that President Levy Mwanawasa had placed unbudgeted expenditures ahead of priority areas such as poverty-eradication and HIV/Aids.

A go at Agoa: African trade ministers expressed concern that poor infrastructure was hampering the ability of their countries to take full advantage of the US African Growth and Opportunity Act. At the third US-Africa Trade and Economic Cooperation Forum at the end of 2003, the ministers sought inclusion of more African countries in the agreement, new provisions ensuring greater access for African companies to US markets and an extension of the Act to 2015. AGOA, which eliminates US import barriers for some African countries exporting selected products, expires in 2008.

'It's not a simple mantra: "deregulate!"' Irvine said.

Sixteen countries in Francophone West Africa have adopted a new uniform business law to banish the ad-hoc administration of justice between and within countries. The idea is to make existing regulations more predictable and applicable to create a safer and more evenly integrated business environment across the region.

'Many of our importers have in the past resorted to routing their goods to neighbouring seaports because of more conducive and accommodating or customer-friendly laws there,' said Emenike Orji of the Benin Importers and Exporters Association. With the new regional law in place, he said 'we hope that business activities will bounce back to Cotonou port.' – **Michael van Winden**

SPECIAL FEATURE: OPINION

Africa Needs Its Own G8 Now

WE DON'T have the luxury of time. We can't wait for the wars to cease and the Big Men to leave. We can't wait through years of debate about modalities and points of reference. We can't wait while strong countries coddle the weak and ruined with warm and fuzzy notions of equality. Timidity bears too high a cost.

The time for Africa to catch up with the rest of the world is now, and if we fail to do so, the time may not come again.

Getinent Giorgis, a director of the African Development Bank, says sustainable development and poverty alleviation require that Africa's collective economy grows by at least 8% a year. We're missing the mark. The continent grew at only 3.5% from 1995 to 2002.

Africa's problem isn't lack of capital. If we're going to realise the vision embodied in the New Partnership for Africa's Development (Nepad), the private sector must be fully embraced as an equal partner with government.

There are more than a billion Africans in the world – 800 million on the continent, 300 million in the diaspora. If brought together to form a 'virtual global African economic community', they would create a market worth $1 trillion and consuming $500 billion in goods and services. That was the conclusion reached by delegates at the Global African Business Titans Conference held in Johannesburg in 2003.

The key is stability and political courage. The main population centres – Nigeria in the West, Kenya and Ethiopia in the East, Algeria and Egypt in the north, South Africa at the tip and the Democratic Republic of the Congo in the middle – are also the continent's economic engines. These countries must set the pace.

Indeed, Africa needs its own G8. We all remember how ineffective the principle of non-interference made the Organisation of African Unity. Huge power disparities exist between, say, South Africa and Lesotho, Nigeria and Liberia, Kenya and Cameroon. The strong mustn't run roughshod over the weak, but through the auspices of the African Union and Nepad, they must lead by example.

'The strong mustn't run roughshod over the weak, but through the AU and Nepad, they must lead by example'

It can be argued that the continent's stronger nations have won this right to set the agenda. They are the dumping grounds for Africa's poor. Theirs are the streets teeming with beggars from the rest of the continent where dysfunctional economies lock millions in misery. Had Mugabe and his cronies not turned a prosperous nation into a basket case, Zimbabwe's blind and needy would not be castaways on the traffic islands of Johannesburg with tattered cardboard signs and soiled rags.

No country has prospered by importing poverty or draining its limited resources to build houses and provide jobs for the entire continent. Africa's club of leading nations needs to firmly insist on good governance, respect for the rule of law and an end to corruption.

They should waste no time aligning their economies. They should create an environment conducive to doing business and attracting foreign direct investment. They should encourage a culture of entrepreneurship and facilitate the movement of human capital between their countries.

This, in turn, would lead to the emergence of a large and vibrant private sector, ultimately making people less dependent on government largesse. It would allow a strong civil society to evolve.

But all this will be impossible without stability on the continent and good governance. Business can be excused for having jitters over the apparent lack of enthusiasm to ratify the protocols of the African Peer Review Mechanism. Hesitation by governments on this fundamental programme sends a message that Africa's leaders like the idea of collective scrutiny far less in practice than in theory.

But having raised the standard by adopting peer review, Africa must now follow through. Whether we like it or not, we have given foreign donors and investors a new yardstick by which to measure us. At some point, some country is going to have to fail the review.

Africa stands at a crossroads. We either make a clean break from the past or lose the renaissance. If the strongest set the standard, we can become prosperous. If they waffle, the world will leave us behind. – **Thabo Leshilo, business editor of The Sunday Times in South Africa**

Toward a Higher Standard

More African countries are tightening laws, forming special commissions and punishing the corrupt

IN EARLY December 2003, representatives of 95 countries gathered in panama hats amid the ancient Mayan ruins of Merida, the capital of Mexico's Yucatan, to sign the landmark UN Convention Against Corruption.

The convention takes the unprecedented step of compelling governments to return stolen assets to the countries from which they were taken. That's an important point of departure. It paves the way for efforts to repatriate funds stolen by deposed dictators like Zaire's Mobutu Sese Seko, Nigeria's Sani Abacha and Liberia's Charles Taylor. As UN Secretary-General Kofi Annan said at the signing conference, 'Corrupt officials will in the future find fewer ways to hide their illicit gains.'

International treaties, of course, do not guarantee that countries and the people who run them will behave. The canon of international law developed over the past 50-plus years still looks far better on paper than it does in practice. But these conventions do have a leavening effect. Ironically, the first and only state so far to ratify the corruption accord is Kenya – a country that coined the term 'kleptocracy' during the sticky-fingered 24-year reign of former President Daniel arap Moi.

International anti-corruption organisations warn that the convention lacks enforcement measures. 'The failure to address monitoring ... is the most serious shortcoming of the convention,' said Peter Rooke, a member of Transparency International's Advisory Council.

But Africa has such a tool at its disposal. The UN accord coincides with the start of the African Peer Review Mechanism (APRM), a formal process enabling African leaders and civil society to critique the performance of those who hold power.

Slowly, a continent that for decades was a caricature of corruption is changing its practices for the better. Twenty-five African countries signed the UN convention and are moving toward ratification. Several have launched bold initiatives to earn back the public's trust. Sixteen countries, starting with Ghana, have agreed to open their books to scrutiny by their peers as part of the APRM.

Here are some bright spots... and a few of the dimmer ones too:

	Control of Corruption[1]	Economic Freedom Ratings[2]
	Percentage of countries worldwide that rate below the given country	1=*Lowest* 10=Highest
Botswana	75.3	0.1
Mauritius	72.2	7.3
South Africa	67.5	6.8
Tunisia	67	6.4
Mauritania	63.4	n/a
Namibia	62.9	6.7
Madagascar	61.9	5.6
Eritrea	60.3	n/a
Morocco	58.2	5.8
Burkina Faso	57.7	n/a
Senegal	53.1	5.8
Swaziland	49	n/a
Lesotho	48.5	n/a
Egypt	47.9	6.5
Mali	46.4	5.8
Ethiopia	44.8	n/a
Ghana	42.8	5.8
Gabon	36.1	5.2
Guinea	35.6	n/a
Rwanda	35.1	5.2
Benin	34	5.6
Guinea-Bissau	33.5	4.4
Togo	32.5	5.1
Algeria	31.4	4.2
Djibouti	28.4	n/a
Sierra Leone	25.8	5.2
Libya	24.7	n/a
Gambia	24.2	n/a
Cote d'Ivoire	22.7	5.9
Malawi	19.6	4.8
Uganda	19.1	6.7
Congo, Rep	18	4.5
Zambia	17	6.8
Liberia	16.5	n/a
Tanzania	15.5	6.2
Mozambique	14.9	n/a
Burundi	12.9	5.1
CAR	12.9	4.9
Chad	12.9	5.6
Kenya	11.3	6.6
Sudan	9.3	n/a
Cameroon	8.8	5.6
Niger	8.2	5.6
Angola	7.2	n/a
Zimbabwe	6.2	4
Nigeria	3.1	5.6
Congo, DRC	1.5	3.9

Sources:
1, *World Bank Institute rankings, 2002,* based on an aggregate of 20 surveys and rankings by think-tanks, universities and other sources
2. Economic Freedom Network, 2003 Annual Report. Based on 38 variables ncluding mgmt of public revenues, legal structures, property rights, access to money and regulation of credit, labour and business

A year after wresting power from a long-entrenched and notoriously crooked government, the new ruling party in **Kenya** has swept through the judiciary, the forest service, utility companies, the nation's biggest brewery, city halls and police stations in what has been hailed as a model for reform in Africa. So far, so good. The International Monetary Fund resumed lending in November 2003, three years after suspending Moi's government, and the Paris Club of Creditors agreed in January 2004 to reschedule Kenya's debt.

New legislation established the Kenya *Anti-Corruption Commission.* Twenty-three judges, including some of the nation's top jurists, face tribunals. Nairobi's mayor has been asked to resign or face wide-ranging embezzlement charges. Several ministers have been called to account. The Central Bank of Kenya has uncovered dormant foreign accounts thought to be held by top businessmen intertwined with the Moi government. Officials now believe those accounts may have been used to siphon state funds out of the country over a sustained period.

Some observers worry that President Mwai Kibaki is taking too soft a line against Moi and his cronies – many of whom are still in prominent positions. In the latest allegation of high-level misconduct, Philip Mbithi, Moi's former cabinet chief, said in late January 2004 that Moi ordered him in 1992 to transfer $76 million in state funds to Goldenberg, the company at the centre of a massive gold and diamond exporting scandal. Moi's lawyers, the BBC reported, denied that the former president ordered any illegal payments.

John Githongo, permanent secretary for ethics and governance, told the BBC in December 2003 that 'a deliberate choice ... has been made not to target former President Moi,' despite allegations that he stole between $1 billion and $4 billion from the country during his rule.

Mozambique opened a trial in December 2003 against 19 people accused of defrauding the country's largest bank, the Commercial Bank of Mozambique, of $14 billion just before its privatisation in 1996.

In **Nigeria**, three former ministers and other senior officials were brought to trial in January 2004 for bribery and corruption stemming from a multi-million dollar state contract with SAGEM, a French telecommunications, electronics and defence group, IRIN reported.

The three former ministers, all of whom served the current government, were joined by the former national secretary of President Olusegun Obasanjo's ruling People's Democratic Party and the former permanent secretary of the ministry of internal affairs. They were charged with multiple counts for allegedly collecting $2 million in bribes in connection with a $214 million contract involving new national identity cards.

Not everyone has caught the anti-corruption fever. **Malawi**, whose three-year suspension from the IMF was only recently lifted, risks losing aid again after parliament failed to pass an anti-corruption bill, the African Church Information Service reported.

President Sam Nujoma of **Namibia** was accused in December 2003 of personally blocking an audit of the country's Roads Authority just two months after the government proposed establishing its own commission on graft. The global anti-corruption website U4 News reported that the auditing firm subsequently claimed to have found a discrepancy of more than $1 billion in the authority's funds.

'Politically, a crackdown would be popular with the people'

Across the border, **South Africa**, whose parliament passed the country's new Prevention and Combating of Corrupt Activities Bill in November 2003, is mired in a seemingly endless stream of high-level bribery and theft allegations arising from a multi-billion dollar arms deal.

Although he has yet to sign the corruption bill into law, President Thabo Mbeki has vowed publicly to eradicate graft in his government. But his critics say there's been little follow-through on such promises. In August 2003, the national public prosecutor's office said it had *prima facie* evidence of corruption against Deputy President Jacob Zuma in connection with the arms deal. Two months later, Mbeki opened a judicial commission of inquiry to investigate whether the public prosecutor, Bulelani Ngcuka, was an apartheid spy.

'Mbeki has vowed publicly to eradicate graft in his government'

The commission was widely regarded as an attempt to deflect the public's attention from Zuma, and in January 2004 Judge Joos Hefer concluded that 'the allegations [against Ngcuka] were ill-conceived and entirely unsubstantiated.'

While Zuma's chief financial adviser, Schabir Shaik, faces prosecution for multiple counts of fraud and theft, Parliament's ethics committee has dismissed claims that Zuma failed to declare payments worth nearly $200,000 from Shaik – payments (Zuma called them loans) that he had not yet repaid.

Zambia began prosecuting Frederick Chiluba in December 2003. The former president, stripped by parliament of the immunity he granted himself before leaving office, and his co-accused face 168 counts of corruption, theft and abuse of power totaling more than $40 million, the BBC reported. The trial was set to resume in February 2004.

Mark Chona, chairman of Zambia's anti-corruption task force, said they have confiscated 16 properties and are scrutinising more than 400 companies in the ongoing investigation. At the same time Zambia was paying inflated prices for oil and earning poor returns on its copper exports, Chona said, Chiluba presided over a 'permissive culture of corruption' in which senior politicians received kickbacks and commissions for awarding multi-million dollar contracts.

President Levy Mwanawasa has won widespread acclaim for bringing Chiluba to trial. But Zambia still lacks codes of conduct for the president, the police, the anti-corruption commission and the national tender board, among other public departments, according to Alfred Chanda, Transparency International's top representative in the southern African country.

The office of Eduardo dos Santos, the president of **Angola**, quickly denounced a report released by Human Rights Watch in January 2004 claiming that $4 billion in oil revenues had disappeared from government accounts between 1997 and 2002. The report equated the amount to total government spending on social programmes during the same period.

In January 2004, **Zimbabwe's** newly appointed Reserve Bank governor, Gideon Gono, launched new efforts to curb corruption in the country's collapsing financial sector. Several institutions have been implicated in money-laundering activities.

Meanwhile, police have arrested lawyers, insurance agents and a top politician implicated in corrupt practices. Two directors of financial firm ENG Capital Management were arrested after their company failed to pay more than $70 million owed to investors. Police seized several luxury cars linked to the case, at least two of which were in the possession of Philip Chiyangwa, a member of parliament for the ruling party, who was subsequently arrested on charges of obstructing justice.

Zimbabwean political analyst Heneri Dzinotyiwei told Reuters that Mugabe may be cracking down on corruption to ease political pressure on the ruling Zimbabwe African National Union-Patriotic Front before next year's parliamentary elections – as he did in a 1989 pre-election purge of cabinet ministers and officials accused of dirty dealing.

'From a political point of view, the crackdown would be popular with the people,' Dzinotyiwei said. **– Compiled from news services by Ayesha Kajee**

Africa Breaks Down On Neglected Roads

NOT even 20 years ago, the route from Nairobi to Nakuru in Kenya rolled seamlessly out across the great Rift Valley, ensuring smooth passage for people and goods moving westward toward Uganda. Today that road, and many other arterial carriage-ways that stitch together the economic hubs of East Africa, are not so much gleaming ribbons as frayed twine.

Kenya needs about $1 billion to patch, rebuild and repaint its roads, according to official estimates, but the public purse is empty. Left to clean up the mess from its notoriously kleptocratic predecessor, the year-old government of President Mwai Kibaki faces budget crises and can only spare about $1.9 million for roads.

The same situation is true for most countries in Africa. The continent moves 90% of its passengers and commercial freight on tarmac, yet national budgets for road repair and expansion rarely exceed 30% of requirements, according to the World Bank's Road Maintenance Initiative (RMI). Although most governments impose levies on fuel and vehicles to generate revenues for roads, much of that income gets diverted to other uses.

Africa's dependency on roads poses a particular challenge for governments trying to bring their priorities in line with aspirations of Nepad. Roads are critical to African commerce, but budget-makers seldom grant public works projects the same urgency as good schools, clean hospitals or muscular militaries.

But the cost of neglect, which includes lost productivity, is high: $1.2 billion a year, according to the World Bank. By the end of the 1980s, Africans had constructed roughly 2 million kilometres of roads costing nearly $150 billion. Nearly a third of that investment has already been lost through lack of maintenance. Restoring just the continent's most important commercial arteries will cost $1.5 billion annually for at least 10 years, the World Bank estimates.

'If a road is not maintained periodically or upkeep is delayed for up to three years, it might end up costing six times more to fix it than it normally would,' said Nazir Alli, CEO of the South African National Roads Agency.

Faced with the imperative of maintaining roads within tight budget constraints, several countries have begun experimenting with alternative approaches to funding.

South Africa, for example, has turned over the daily management of some of its main commercial corridors to the private sector. The company that was awarded a 30-year concession to operate the highway between Maputo, Mozambique's main port, and Johannesburg bore the costs for extensive reconstruction and collects tolls to cover maintenance and other ongoing costs.

Kenya is also considering toll roads to address its budget limitations and has sought assistance from China to help finance some reconstruction projects.

But this approach has limitations. As Malawi has discovered, not all trade routes are worth tolling. 'Traffic volumes are very low on the major long-distance routes,' said Lewis Siwande, a transport economist at Malawi's National Roads Authority. On the 350km stretch between Lilongwe and Blantyre, the two main cities, traffic volumes average only about 2,000 vehicles a day.

Another approach to saving costs is minimising daily wear and tear. In South Africa, for example, the legal maximum weight that can be carried by a seven- or eight-axle 22-metre long truck is 56 tonnes, with a 5% excess allowance. Transport authorities have caught drivers with loads far higher than the limit. Not only is that unfair competition, it's expensive. Overloading has already inflicted $13 million in damages on the Johannesburg-Maputo corridor in just five years.

One solution, according to the Pretoria-based Council for Scientific and Industrial Research, is more effective law-enforcement. – **Luleka Mangquku**

BRIEFLY

A step beyond anarchy: The main warlords and political factions of Somalia signed a deal in January 2004 to set up a parliament that will elect the country's first president in 13 years. This agreement, following a year of talks in neighbouring Kenya, has been hailed as a fragile but important step toward ending 13 years of violent statelessness in the East African country.

Justice deferred: Defence lawyers went on strike in late January 2004, disrupting proceedings at the International Criminal Tribunal for Rwanda in Arusha, Tanzania. At the time of the strike, retired Lt. Gen. Romeo Dallaire, the former commander of UN peacekeeping troops prior to the 1994 genocide, in which the Hutu government incited the slaughter of 800,000 Tutsis and moderate Hutus, testified that the UN Security Council and Western powers ignored his warnings of an impending ethnic massacre. Meanwhile, UN Secretary-General Kofi Annan, who was head of the UN peacekeeping operations in 1994, has called for the creation of a commission that will prevent genocides from taking place.

Hitting where it hurts: A year after promising to devote $15 billion to fight HIV/Aids in Africa, US President George Bush plans to scale back from that pledge due to domestic economic constraints, according to a report in *The New York Times*. US contributions to the Global Fund to Fight Aids, Tuberculosis and Malaria will decrease from $550 million to $200 million in the 2005 financial year, the paper reported.

Thorn of Africa: If Ethiopia and Eritrea continue to dishonour the ruling of the boundary commission, which gave the disputed border town of Badme to Eritrea, the US could impose sanctions on both countries. Ethiopia, refusing to accept the ruling, has threatened to plunge the neighbouring states back into conflict. A bloody two-year conflict between the countries, which ended in a stalemate in 2000, involved trench warfare on a scale not seen since World War II.