

City University of New York (CUNY)

CUNY Academic Works

Dissertations and Theses

City College of New York

2015

Factors Affecting Developing Planning in Africa: The Need for Local Input

Ismael Sow
CUNY City College

[How does access to this work benefit you? Let us know!](#)

More information about this work at: https://academicworks.cuny.edu/cc_etds_theses/358

Discover additional works at: <https://academicworks.cuny.edu>

This work is made publicly available by the City University of New York (CUNY).
Contact: AcademicWorks@cuny.edu

Factors Affecting Developing Planning in Africa: The Need for Local Input

By Ismael Sow

A Thesis Submitted for Partial Fulfillment of the
Requirements of the Degree in Masters of Art in International Relations

September 2015

City College

Faculty Advisor Professor Jacqueline Braveboy-Wagner

I would like to thank all who helped me get through my graduate program and school in general, especially Professor Jacqueline Braveboy-Wagner for her patience and guidance and Mrs. Mona Schnitzler.

Abstract

Africa has become synonymous with poverty, diseases, and despair. The continent is home to the highest number of extremely poor people in the world. Throughout the world, especially in the last few decades, many countries in the so-called South have succeeded in lifting their people out of poverty. The continent, with the exception of a few African countries, has failed to design and implement sound economic plans to bring prosperity to a billion Africans. This thesis proposes that for African countries to develop, ways should be found to include indigenous input into development planning. This assumption is based on both the literature which debates the value of foreign aid as well as externally-imposed liberalization, and also on a preliminary assessment of the models African countries have employed to date. To support the proposal, the thesis analyzes the plans adopted by four African countries, Tanzania, Botswana, Ethiopia and Ghana, each having employed a different model. It concludes that it is not just important to have a local plan but rather that six factors are important in planning: an inclusive political system, visionary leaders, open markets, investment in human and economic capital, good regional integration and good relationships with foreign powers.

Table of contents:

Abstract	
Chapter 1: Introduction	1
Chapter 2: Research design and literature	5
Definitions	5
Literature	7
Chapter 3: Background on African Development	23
Chapter 4: case studies	33
Tanzania	33
Botswana	40
Ethiopia	45
Ghana	52
Chapter 5: Six step to help guide economic development	60
Conclusion	73
Work cited	75-81

Chapter 1

Introduction

Africa¹ has become synonymous with poverty, diseases, and despair. The continent is home to the highest number of extremely poor people in the world. Throughout the world, especially in the last couple of decades, many countries in the so-called South have succeeded in lifting their people out of poverty. That is apparent in Asia (India, China and the rest of the South East Asia), in Latin America (Brazil and others) and the former Soviet bloc. These countries have found economic models that help drive their economies and improve the livelihood of their populations. However, Africa as a whole has failed to do so, with the exception of the Maghreb countries (Egypt, Libya, Morocco, Algeria, and Tunisia) and some Southern African countries (South Africa, Botswana, and Mauritius). Africa has the potential to achieve economic development because it is endowed with all kinds of valuable natural resources, a large and young population and a very strategic location (Africa is at the heart of the world to the North there is Europe, to the west, the Americas and to the East, Asia). So why is Africa still poor? What can be done to help Africa achieve economic development? Anti-colonialists and Pan-Africanists argued that the poverty in Africa is due to the colonial past. The West, the International Monetary Fund (IMF), and the World Bank argue that Africa itself is the cause of its own problems, due to the lack of liberal capitalism, lack of democracy, and rampant corruption. People who support that idea prescribe to Africa to emulate the West by adopting its western economic policies and

¹ Africa for this paper refers to Sub Saharan Africa.

way of governing. Others argue that for Africa to develop, the West needs to increase its foreign aid to the continent and help it to achieve the first level of economic development. Some scholars are opposed to the idea of increasing foreign aid to the continent and want foreign aid to stop all together because they believe foreign aid is the reason Africa is still poor. They advocate the adoption of a capitalist market driven economy and trade with foreign powers as a way for Africa to develop economically.

African economic development programs over the last century, to some degree, have been set or influenced by foreign powers. During colonization, European metropolises controlled African economic policies. Those policies were designed to benefit the European industries and Africa was used for the production of raw materials (minerals) for their industries.² After independence, African countries had to choose between the capitalist West and the Communist East, a situation of loss-loss because any side they allied with would result in the alienation of the other. Both camps used African countries for many proxy wars, for example, in Angola, Mozambique, Congo Kinshasa, and Zimbabwe. For that reason, many African countries opted to close their economies to protect their newly found independence but it cost them dearly. After the Cold War, the International Monetary Fund (IMF) and the World Bank forced many African countries to open up and privatize their national companies as part of the IMF Structural

² Joshua Dwayne Settles, "The Impact of Colonization on African Economic Development" *University of Tennessee honor thesis project*, 1-3 (1996), http://trace.tennessee.edu/cgi/viewcontent.cgi?article=1182&context=utk_chanhonoproj

Adjustment Programs (SAPs). The SAPs turned out to be a failure and the consequences of the SAPs are still being felt by many African economies to this day.³

This thesis argues that without indigenous input into the development planning of the developing nations in general and African nations in particular, economic development is unlikely to be achievable and sustainable. This assumption is based on both the literature which, as I have said and will elaborate in the next chapter, debates the value of foreign aid as well as externally-imposed liberalization, and also on a preliminary assessment of the models African countries have employed to date (Chapter 2). I maintain that all economic development programs for Africa should include Africans in the formulation of the policies because each region of the continent has different characteristics that affect their economies differently. Each country within a region has a different reality based on ethnic, religious, geographical, and geopolitical factors.

This study, which aims to offer prescriptions for African development, is significant because research has shown that despair due to poverty forces people to engage in criminal activities, such as the piracy off the coast of Somalia and the Afghans who join the Taliban because they pay well. Helping countries develop a sound economic development program will contribute to making our life peaceful. Diseases that originate in those poor countries will not stop there; they will travel to our cities. We have seen that diseases that originated outside our border have reached us, such as the Severe Acute Respiratory Syndrome (SARS), Avian Influenza (H5N1), and Ebola.

³ Alain Noel, "The New Global Politics of Poverty" *Global Social Policy*, December 2006, 312

Helping the less fortunate achieve the basic level of economic development is helping humanity in its quest for prosperity, peace, and harmony. Success in formulating sustainable economic development programs for Africa will help to solve the injustices to a billion Africans.

Chapter 2

Research design and Literature

African countries make up the bulk of both the least developed countries in the world and the most heavily indebted countries.¹ It is my hypothesis that without indigenous input into development planning for the developing nations in general and African nations in particular, economic development is unlikely to be achievable and sustainable. Past experiences have shown us that countries that copy other countries' economic policies without adjusting them to meet their own unique characteristics, tend to fail; we have seen that in Asia, South America and Africa. Countries that have succeeded in developing their economies in the last few decades had to find their own way to do so; as we see in Japan, in the four Asian Tigers (Singapore, Taiwan, South Korea and Hong Kong), China and India. I maintain that Africa's development will depend on how successful countries are in developing and implementing economic policies reflecting their countries' characteristics. I stress that having indigenous input does not mean that external assistance must be excluded. In this era of globalization, all nations are interconnected. .

I base my assumption on the literature as well as the experiences of African countries which has adopted various models with varying degrees of success. I elaborate this literature below but before discussing it, I will define what is meant by development, or more specifically "sustainable development" which is the goal of African nations.

Definition

Before continuing, I need to define "sustainable development." The environmental

¹ World Bank Data <http://data.worldbank.org/income-level/HPC>, accessed on Mars 4, 2015

movement has popularized “sustainability,” referring to the protection of the earth’s biodiversity from the harm caused by human activities. The term evolved to encompass sustainable development, which is defined in the Bruntland report² as *development that meets the needs of the present without compromising the ability of future generations to meet their own needs*.³ Sustainable development seeks to balance economic development with environmental and human needs.

Sustainable economic development can be achieved in different ways according to different theories of economic development, but all successful economic models should result in the improvement of the lives of the people, increases in Gross Domestic Product (GDP) and Gross National Income (GNI), and an increase in human development as measured by the Human Development Index (HDI). The development of the Organization for Economic Co-operation and Development (OECD) countries and developed non-OECD countries was achieved through different economic models but they were all able to lift their people out of poverty and provide comfort and security to their population. The economies of the Scandinavian countries (Sweden, Finland, Norway and Denmark) are seen as particularly sustainable because these countries balance development with preservation of the environment. African countries are not expected to be at the level of the Scandinavian countries overnight, but any continuous economic development on the continent will be seen as a success. For an economy to be sustainable it will need to strike

² UN Report Addressing Sustainable Development, available at http://www.un.org/wcm/webdav/site/climatechange/shared/gsp/docs/GSP1-6_Background%20on%20Sustainable%20Devt.pdf accessed April 18, 2015

³ United Nations Environment Programme, *Report of the World Commission on Environment and Development: Our Common Future* document A/42/427 (1987), available from <http://www.un-documents.net/our-common-future.pdf>

a balance between its economic growth and the preservation of the ecology of the country for future generations.

Literature

Economic Models adopted in Africa

After their independence, most African countries adopted liberal economic models of development. Liberal capitalism in its classical variant, as described by Adam Smith in his book *The Wealth of Nations*, proposed that the government should stay out of the market and let the market regulate itself, “laissez faire.”⁴ This model is supported by the United States and many other countries. Capitalists believe that private entrepreneurship is the way to achieve economic development. The market should be free to regulate itself and allow the best to succeed. Allocation of resources should be determined by the market and not by any government or state. “The invisible hand” of the market should determine the price of goods and services. The role of the government should be limited to providing basic needs that private entities cannot provide efficiently, such as security, infrastructure, and education. Apart from Adam Smith, John Locke and John Stuart Mill were proponents of the limited role of government because they believed government interference into the market would hamper competition and innovation.

More recently liberal capitalism has come to be known as neoliberalism. Neoliberalism is an ideology associated with economists such as Friedrich Hayek and Milton Friedman. Neoliberals want even less government involvement in the economy and propose the reduction of government input into the market. They believe in the moral virtue

⁴ Adam Smith, *The Wealth of Nations* edited by C. J. Bullock. Vol. X. The Harvard Classics, New York: P.F. Collier & Son, 1909–14; Bartleby.com, 2001.
www.bartleby.com/10/.

of the market and propose the reduction or elimination of tariffs to encourage free trade, as well as tax reductions. They support the privatization of state companies, reduction of state spending and the removal of barriers to encourage trade between nations.⁵ Neoliberals believe that the role of the state should be minimal in the economy. The Structural Adjustment Programs (SAPs), prescribed by the International Monetary Fund (IMF) for African countries, are based on this ideology.

On the other hand, social capitalism has appealed to some African countries, for example Cote d'Ivoire and Senegal. It is based on liberalism, but it combines capitalism and social policies. Adherents reject the notion of "laissez-faire" and believe that state intervention is required to balance economic growth and social policies. State enterprises should be able to compete at the same level as private companies and economic growth should not be put above social benefits. They wish that "every economic success, wherever it is gained, and every improvement in labor productivity will benefit all the people"⁶ and that "economic progress and growth, and true progress is only achieved when all share in it."⁷ They emphasize strong cooperation between private enterprise, labor, and government. This model is more prevalent in Europe and Asia and is somewhat related to the Keynesian economic model, developed by John Maynard Keynes, which supports state intervention in the economy especially during crises.⁸ States should do everything they can to assist the

⁵ Bob Jossep, "Liberalism, Neoliberalism, Andurban Governance: A State-Theoretical Perspective" *Antipode* Volume 34, Issue 3, pages 452–472, July 2002.

http://eprints.lancs.ac.uk/173/2/E-2002a_antipode.pdf?origin=publication_detail

⁶ Ludwig H. Mai, "Erhard's Social Market Economy" *The Southwestern Social Science Quarterly*, Vol. 44, No. 4 (MARCH 1964), pp. 329-334.

⁷ Ibid, p. 331

⁸ Paul Krugman, "How Did Economists Get it So Wrong?" *Nytimes*, September 2, 2009. Accessed 11/26/14 http://www.nytimes.com/2009/09/06/magazine/06Economic-t.html?pagewanted=all&_r=0

economy because the market is not perfect and tends to fail. States should pump money into the economy directly and indirectly by investing in infrastructure and social programs.

At independence, many African countries supported the capitalist system because of their colonial past. Some adopted liberal capitalism and others social capitalism. As elaborated in the next chapter, these policies failed overall. One of the reasons cited in the 1960s and 1970s was the problem of dependency. Dependency theory argued that rich countries were developing at the expense of poor countries and that for the poor countries to develop, they would need to cut their links to the wealthy nations.⁹ Economists Andre Gunder Frank and Samir Amin supported this group. Many scholars in the South, especially in Latin America, supported dependency theory. Fernando Henrique Cardoso, a scholar of dependency theory and a future president of Brazil, believed that the economic gaps between the North and South were due to the way that poor countries are integrated into the world's economy, which favors the rich countries. The poor countries provide raw natural resources and cheap labor and the wealthier countries provide high-end goods and services. However, Cardoso did not believe that unlinking the North and South economies was the solution. He believed that the South could grow within the capitalism system if they reform and design sound economic systems. He said that, "under capitalism both rich and poor could grow but would not benefit equally."¹⁰ He advocated "a mixture of protectionism and Keynesianism that became known as import-substitution industrialization. Behind a tariff wall, with generous state subsidies, an active fiscal policy, and a drop of central planning here and there, poor countries could hope to lessen their

⁹ Andres Velasco, "Dependency Theory a Generation Later," *Harvard.edu*, October 2002 http://www.cid.harvard.edu/cidinthenews/articles/FP_11-1202.pdf.

¹⁰ Ibid, p.2.

dependency on the center and develop autonomously”¹¹

While East Asian countries showed that dependent capitalism was possible, African countries still did not succeed. Part of the reason was clearly the lack of democracy and good governance (elaborated in the next chapter). Berhanu Nega and Geoff Schneider argue that without democracy, a country cannot develop the institutions required to sustain economic development:

We argue that dictatorship in Africa serves a function akin to Myrdal's backwash effects (no broad base economic development), thwarting economic progress in a cumulative and circular way. Dictatorships do not develop the types of institutions necessary for broad based development. Instead, they develop clientelistic, kleptocratic institutions designed to enrich supporters, buy off just enough of the populace, and shore up their power base...¹²

For Nega and Schneider, democracy is a pre-requisite for any economic development and without it, there is no development. They disagree with the modernization theory that proposes that "democratization is culturally determined" and that "economic development gives a nation a greater chance of obtaining and sustaining democracy."¹³ With regard to the second idea, they use the Arab countries as an example of wealthy nations that still do not have democracy. They argue that people that believe that a benevolent dictator can help create sustainable economic development are mistaken. African dictators have not built institutions that can sustain a strong economy and it does

¹¹ Ibid, p.2.

¹² Berhanu Nega and Geoff Schneider, " Things Fall Apart: Dictatorships, Development, and Democracy in Africa" *Journal of Economic issues*, Vol.XLVI No.2 June 2012. 375-382.

¹³ Ibid.

not seem as if they are going to build them.

The continent is famous for its autocratic rulers, and for what has been called “neopatrimonialism,” and “shame democracy.” According to the *Economist*, in 2012, only one country was considered a full democracy; 11 were flawed democracies and the rest were considered hybrid systems, authoritarian regimes and some failed state.¹⁴

Map 2.1: African Democracy Ratings 2011



Source: the economist 2011. Online at <http://www.economist.com/node/21551494>

Neopatrimonialism is Africa’s biggest problem in term of governance because it combines corruption and clientelism. Neopatrimonialism is characterized by personal patronage from the chief executive to some particular groups as a way to stay in power.¹⁵

¹⁴ African Democracy: A Glass Half-Full Representative Government is still on the March in Africa, Despite Recent Hiccup (March 31, 2012) *The Economist* <http://www.economist.com/node/21551494>.

¹⁵ Michael Bratton and Nicolas Van de Walle, “Neopatrimonialism Regime and Political Transition in Africa” *World politics*, Vol.46, No.4 (Jul.,1994), 453-489. <http://chenry.webhost.utexas.edu/core/course%20materials/brattonafrwp94/0.pdf>

African leaders use the country's resources to buy off potential rivals and put loyalists in key positions. Examples include Robert Mugabe of Zimbabwe's fast tracking of his wife's PhD degree from the University of Zimbabwe, and her nomination to lead the women's wing of the ruling party.¹⁶ Teodore Obiang in Equatorial Guinea is grooming his son Teodore Obiang Junior to replace him as the future leader of the country. The son lives a lavish life style, owning properties and luxury cars in the US and France; some have been confiscated by the authorities of these countries who are investigating him.¹⁷ For Africa to develop, scholars insist, practices such as neopatrimonialism need to be stopped.

In the 1980s African states were forced to institute Structural Adjustment Programs (SAPs) to correct their failing economies. The neoliberal model has been successful in countries such as Botswana and Ghana but is not without its problems. SAPs were reforms promoted by the World Bank and the IMF for third world countries, if they wanted to get loans from the international financial institutions (IFIs). These programs usually included a variety of measures to open their markets, remove import barriers, cut spending on social programs, devalue currencies, eliminate subsidies and price supports, and encourage exports.¹⁸ SAPs were supposed to stabilize the economies of those countries, but ended up destroying what was left of those economies. According to David Gordon in his article,

¹⁶ David Smith, "Grace Mugabe's super-Speedy PhD Raises Eyebrows Around the World" *The Guardian* accessed 03/03/2015 <http://www.theguardian.com/world/shortcuts/2014/sep/15/grace-mugabe-phd-award-first-lady-zimbabwe-university>

¹⁷ Mai De La Baume, "A French Shift on Africa Strips a Dictator's Son of His Treasures" *Nytimes*. accessed 3/3/2015 http://www.nytimes.com/2012/08/24/world/europe/for-obiangs-son-high-life-in-paris-is-over.html?_r=0

¹⁸ James Greenberg, "A Political Ecology of Structural-Adjustment Policies: The Case of the Dominican Republic" *Culture & Agriculture* Volume 19, Issue 3, pp. 85–93, September 1997 <http://onlinelibrary.wiley.com/doi/10.1525/cag.1997.19.3.85/abstract>

Sustaining Economic Reform under Political Liberalization in Africa: Issues and Implications, SAPs did restore a low level of economic growth, but that growth was still below other regions. For him, there are three reasons why the SAPs have had limited success on the continent: first, the general context of underdevelopment with a weak human resource base, inadequate infrastructures, and less diversified economies; second, SAPs focused on cutting back inappropriate state interventions with the assumption that markets will then operate effectively, but both markets and states in Africa are weak and fragile; third, existing programs have not been very successful in promoting reform in several crucial areas such as fiscal policies and public services. Countries did not regulate the economic environment affecting private investments, and did not set up a system to regulate export crop pricing and marketing.¹⁹

To build a strong economy, Gordon proposed four dimensions for facilitating sustainable economic development:

1. Changing the role of government and strengthening government capacity to design, monitor and implement policies. The government should help build the foundation to allow public and private entrepreneurship to compete and it should privatize state owned companies wisely and effectively. It should also provide a platform for a dialogue between public and the private sectors.
2. Enhancing political capacity for policy implementation by including Africans into the formulation of the programs or policies.
3. Nurturing a civil society that will act as a brake on state power: "[civil society acts

¹⁹ David Gordon, "Sustaining Economic Reform Under Political Liberalization in Africa: Issues and Implications," *World Development*, vol.24, No. 9, pp.1527-1528, 1996

as]...broker between state and non-governmental concerns and facilitator of national consolidation."²⁰

4. Establishing the institutional foundations for markets by establishing a functional legal system to enforce contracts and protect property rights. The state should create an enforcing mechanism guaranteeing the flow of capital in the market, securing banking systems and credit provisions. The state should also help create a system that shows price information, availability, quality of goods and services, capital and labor. It should help build infrastructures to link producers to consumers and help provide low cost communication for domestic and international trade. According to Gordon, if these suggestions were implemented, the SAPs would have worked better. Indeed, in this thesis, the focus is on Gordon's second point.

There are, however, other scholars that believe structural reforms are impossible and unsustainable without political reform. This certainly seems to be the case in Africa.

The Socialist Model

During the 1960s and 1970s some African countries adopted socialism as an alternative to capitalism, in the hopes of controlling their economies and achieving sustainable and self-reliant markets. Until the collapse of the Soviet Union, the socialist or Communist model was seen as a viable alternative. Communists do not believe in private ownership but instead, adhere to the communal ownership model where everyone is equal in the society and the means of production are communally owned and controlled. In a communist society, the free market is non-existent and the government sets prices and allocates resources. Karl Marx's writings influenced many scholars and leaders in the 20th

²⁰ Ibid

century. Vladimir Lenin, one of the most influential adopters, used Marxian ideas to incite the October Revolution in Russia and overthrow the provisional government that ended the Tsarist regime.²¹ Lenin proposed the adoption of a dictatorship of the proletariat as a step toward communism. He prescribed a planned economy, where the state controls the means of production and works out developmental plans for the economy.

Another adopter of Marxist ideas was Mao Zedong, the founding father of the People's Republic of China and the first Chairman of the Communist Party in China. He adhered to the communist ideas about class struggle and the need for a planned economy. Admitting that China could not adopt the Soviet heavy industry economic development program due to lack of knowledge and technology, he proposed the Great Leap Forward program. This was intended to transform China from a poor dependent country to a communist society, through collective agricultural production and rapid industrialization. But his plan failed and caused the death of millions of people due to famine.²² Some African leaders were influenced by Marx and developed their own indigenous economic development programs based on Marx's ideas.

African Socialism

In Africa, post-colonial leaders were worried about preserving their newfound independence and believed that cutting links with the European metropolises was the solution. The theories they devised were anti-western and aligned with socialist ideas. From independence to the 1970s, the continent was home to some of the most ardent anti-

²¹ History of Vladimir Lenin (1870-1924) [bbc.co.uk
http://www.bbc.co.uk/history/historic_figures/lenin_vladimir.shtml](http://www.bbc.co.uk/history/historic_figures/lenin_vladimir.shtml).

²² Wei li and Dennis Tao Yang, "The Great Leap Forward: Anatomy of a Central Planning Disaster," *Journal of Political Economy*, 2005, vol. 113, no.41. Pp. 840-877.

imperialists. Ideas such as Pan-Africanism and Negritude were at their zenith.

The most important economic theory that came out of the continent post-independence was African Socialism. It was a theory based on Marxist ideas, but with a traditional African focus on communal livelihood. According to President Nyerere of Tanzania, "in our traditional African society we were individuals within a community, we took care of the community, and the community took care of us. We neither need nor wish to exploit our fellow men."²³

African socialism was different from European socialism because the African version did not emphasize class struggle, as did the Europeans. According to Nyerere, "African socialism, on the other hand did not start from the existence of conflicting 'classes' in society...the idea of 'class' or 'caste' was nonexistent in African society."²⁴ According to him, for Africa to prosper, it would need to return to its traditional idea of communal ownership and reject the capitalism of colonial rulers: "in rejecting the capitalist attitude of mind which colonialism brought into Africa, we must reject also the capitalist methods which go with it. One of these is the individual ownership of land."²⁵

Many leaders in Africa adopted African socialism, including Sekou Touré of Guinea, Kwame Nkrumah of Ghana, and Julius Nyerere of Tanzania (Ujamaa). But in all these societies, the African socialism model failed to bring prosperity to the people. African socialism was successful in bringing a sense of identity and unity to the countries, but the closed economic model deprived Africans of important external resources. By the 1980s

²³Ujamaa-the Basic of African Socialism (February 2015)
<http://www.columbia.edu/itc/history/mann/w3005/ujamaa.html>.

²⁴ Ibid.

²⁵ Ibid.

these countries found that they needed to restructure their economies and adopt neoliberal changes.

The Debate on External Assistance

During the last couple of decades with the failure of the SAPs, the debate on what to do to help poor countries develop their economies and lift their people out of poverty and despair has been dominated by two camps, the foreign aid proponents for development and the opponents. Jeffrey Sachs champions an increase in foreign aid to poor countries as a way out of poverty. In his book, *The End of Poverty*, he argues that poor countries, especially African countries, need increased foreign aid to achieve the first step up the economic development ladder. He argues that the source of African poverty is multidimensional.²⁶ According to him "Africa's governance is poor because Africa is poor."²⁷ But, as others note, the fact is that many African countries are home to huge natural resources, for example the Democratic Republic of Congo, Guinea and Angola, and yet the leaders of these countries are not using those resources wisely by investing in their countries and people. Instead, many leaders are enriching themselves and their kin.

Sachs notes that the failure of developing countries to grow economically is the result of a mix of geographical, historical and political factors. He argues that the developmental methods prescribed by the IFIs have failed. He compares the SAPs championed by the rich countries to an 18th century medicine, "where doctors use leeches to extract blood from the patient, often killing them in the process" and notes that "the IMF prescription has been budgetary belt tightening for a patient too poor to own a belt."²⁸

²⁶ Jeffrey Sachs, *The End of Poverty*, Penguin Press, 2005 pp. 124.

²⁷ Ibid pp. 74.

²⁸ Ibid, pp. 74.

To him, the real reason Africa is poor is the unlucky accident of geography -- bad soil, diseases, lack of access to ports and navigable rivers -- and the self-perpetuating nature of poverty.²⁹ Paul Collier in his book, *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done about It*,³⁰ agrees with Sachs about the poverty trap and the role geographic location plays. He says that landlocked countries with bad neighbors (like the Central African Republic) are doomed to be poor because of their location. Sachs proposes a new model for economic development that he calls "clinical economics." Poor countries' development problems should be addressed like how a doctor deals with a patient. Any economic development problem should be addressed by acknowledging the following five ideas: economies are complex systems; economies need different diagnoses; economies have different contexts and positions; economies should be evaluated and monitored differently; and professionals should administer economies.³¹

Sachs also proposed five major developmental interventions that are needed to help achieve economic development:

1. Help increase agricultural output by increasing the availability of fertilizers and improved seeds.
2. Invest in basic health care and encourage the distribution of free bed nets as a way to eradicate malaria.

²⁹ James Traub, "The African Century: The Unlucky Continent Finally Seems to be on a Real Path to Growth, But is Democracy Essential to Sustain Africa's Rise?" *Foreign policy* http://www.foreignpolicy.com/articles/2013/03/29/the_african_century_growth_democracy_governance.

³⁰ Paul Collier, *The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It*, Oxford University Press, 2007.

³¹ Sachs, pp. 78-81.

3. Invest in education to form the new generation of professionals in administration, health care and engineering.

4. Invest in the supply of power, energy, transport and communications to facilitate links between producers and consumers and make doing business in those countries cheaper

5. Build and maintain a safe drinking water supply and sanitation to fight off diseases.

Nevertheless, all these needs will not be met without an increase in foreign aid by the rich countries. He argues that the increase in foreign aid agreed to by rich countries (each country increases its foreign aid to 0.7 percent of its Gross Domestic Product) as part of the Millennium Development Goals (MDGs) and the cancellation of these poor countries' debts will help them succeed in climbing to the first step of the developmental ladder. Reaching that first step will remove the poverty trap and the struggles that come with it and those nations will be able to continue to develop without help.

On the other hand, there is Dambisa Moyo, who argues that the root of African poverty is foreign aid:

More than \$1 trillion in development assistance over the last several decades made African people better off? No. In fact across the globe the recipients of this aid are worse off; much worse off. Aid has helped make the poor poorer, and growth slower. The answer to Africa's economic underdevelopment has its roots in aid."³²

She says that there are three kinds of aid: humanitarian, charitable, and

³² Dambisa Moyo, *Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa* Farrar, Straus and Giroux 2009.

developmental. For Moyo, humanitarian and charitable aid are not the problem, the problem is development aid, which consists of a foreign country transferring a very large sum of money to African countries. According to her, for many African countries, for example, Ethiopia and Rwanda. Foreign aid has become the single biggest contributor to their budgets. Aid has been diverted to illicit use such as maintaining kleptocratic regimes, buying off potential rivals, and filling the personal bank account of many rulers. Aid does not encourage social capital and it has become a source of tension between factions in many African countries vying for control:

With aid's help, corruption fosters corruption; nations quickly descend into a vicious cycle of aid. Foreign aid props up corrupt governments - providing them with freely usable cash. These corrupt governments interfere with the rule of law, the establishment of transparent civil institutions, and the protection of civil liberties, making both domestic and foreign investment in poor countries unattractive. Greater opacity and fewer investments reduce economic growth, which leads to fewer job opportunities and increasing poverty levels. In response to growing poverty, donors give more aid, which continues the downward spiral of poverty.³³

To help African countries develop their economies, she argues, aid must stop. Aid is no longer the solution, but it is part of the problem. William Easterly, in his book *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*, agrees with Moyo's take on foreign aid. He advocates that aid be abandoned as a way out of poverty because it has failed to end poverty and has only created a state of dependency in many African countries.

³³ Ibid, p. 49.

Moyo argues that without aid, African leaders will have to find alternative ways to finance their economies. There are many other ways to get money, such as building strong banking systems and banking the poor. Grameen Bank founded by Muhammad Yunus, has achieved the unthinkable by banking the poor in Bangladesh, giving them loans to invest in their small businesses. If such banking is replicated in Africa, it could be another source of income that states can tap to finance their development. Remittances from expatriates added up to \$60 billion in 2012,³⁴ and are another source of income. Governments should encourage the population to save their money in the bank. Success in making people trust banks will provide a huge amount of liquidity. Also Moyo argues that issuing sovereign bonds on the international market will encourage foreign direct investment (FDI), encouraging China and other developed countries to invest in the continent. The success in attracting FDIs from other developed countries to invest in Africa will create jobs, build infrastructures, transfer technologies, transfer international standards and norms, and increase transparency.³⁵

Summing up, the literature suggests that first, the various models of development adopted by African countries have their strengths but have not generally worked well in the African environment. Second, current neoliberal models are also problematic and there is a debate as to whether external help (foreign aid) is useful or simply leads to dependency. In this thesis I argue that many of these problems can be resolved by greater focus on indigenous planning.

³⁴ “Diaspora Remittances Must Open the Door to Financial Inclusion”
<http://www.worldbank.org/en/news/feature/2013/10/10/diaspora-remittances-must-open-the-door-to-financial-inclusion>

³⁵ Moyo pp. 141-147.

In order to test my hypothesis, I will analyze the development experiences of four African countries as case studies: Tanzania, Botswana, Ghana, and Ethiopia. I picked Tanzania because it is one of the countries that developed its own indigenous economic policy, Ujamaa. Botswana was chosen because it is seen as a success story in Africa for achieving a middle-income sustainable economy. Ghana was chosen because it is the poster child for the success of structural adjustment programs (SAPs) imposed by the international financial institutions (IFIs) after the failure of economic planning. Ethiopia was chosen because it is one of the African countries that have tried three development models based on different economic theories and it is currently receiving the most foreign aid. I will look at each of these countries' economic development plans (indigenous and imposed or some mix of these) to see how successful they were. If I find that countries whose planning includes a local dimension have had better development results, this will obviously support my hypothesis. However, I am also interested in determining which characteristics are essential for this indigenous or local planning to work. By finding those characteristics, I will then be able to suggest strategies for other African countries to adopt.

Chapter 3

Background on African Development

Map 3.1: Africa and the world



Source: <http://www.mapdata.com>

According to World Bank data, a poor person is any person making less than \$1.25 a day. There are over a billion extremely poor people in the world as of 2013.¹ Africa is home to 440 million of them. That is a huge increase from the 1990s, when 290 million people were classified as poor.² To understand the reasons why African governments have failed to lift their people out of poverty, we need to look at the history of the continent.

But, first, let us look at some facts about the continent. Africa is home to the youngest population in the world. There are around 300 million Africans aged 10 to 24.³ Africa is the second largest continent and second most populous after Asia. There are 54 independent countries. As of 2011, Africa's population was 1,032,532,974. It is home to

¹ World Bank Data Website on Poverty
<http://povertydata.worldbank.org/poverty/region/SSA>

² The United Nations' Millennium Development Goals 2014 report
<http://www.un.org/millenniumgoals/2014%20MDG%20report/MDG%202014%20English%20web.pdf>.

³ Kingsley Ighobor, "Africa's Youth: a "Ticking Time Bomb" or an Opportunity?" UN African Renewal. Online at - <http://www.un.org/africarenewal/magazine/may-2013/africa%E2%80%99s-youth-%E2%80%9Cticking-time-bomb%E2%80%9D-or-opportunity#sthash.SPcrO1jU.dpuf>.

the longest river, the Nile River and home to the largest desert, the Sahara.⁴ There are thousands of languages and ethnic groups. It is home to the first human and home to some of oldest civilizations in the world.⁵ The continent has abundant natural resources, including oil, gold, diamonds, bauxite and iron. But with all these resources, why is Africa still poor?

To understand the lack of significant and sustainable development in the continent, we would have to understand the role played by foreign powers during colonization and post-colonization. We also need to understand the role of African leaders in contributing to the state of African development. Before the independence of most of the African countries, the vast majority of these countries were ruled by European colonial powers with the exception of Ethiopia and Liberia. Economic policies were designed and implemented by the European colonial powers to benefit their industries.⁶ Africans were considered less than second-class citizens in their own home and their freedom and resources were taken away from them. They had very little input into how their countries were run; in fact, the majority of the decisions came from the European metropolises.⁷ Most African countries were used as producers of raw materials (minerals and agricultural products) for European manufacturing and consumption.

In the 1960s, the independent African countries lacked the basic state institutions. The countries that African leaders inherited were the creation of colonial rulers to help subjugate and rule Africa. They ignored pre-existing borders between various chieftains

⁴ World Atlas Website <http://www.worldatlas.com/webimage/countrys/af.htm>.

⁵ Ibid.

⁶ Nobuhiro Miauni and Ryosuke Okazawa “Colonial Experience and Postcolonial Underdevelopment in Africa” *Public Choice*, Vol.141, 3/4 (Dec., 2009), pp. 405-419

⁷ Ibid, pp. 407-408

and kingdoms and instead chose to put natural enemy tribes in the same country, knowing well that they could not coexist peacefully. Borders were drawn to weaken certain tribes to help the Europeans rule. Colonial powers knowingly put minority tribes in power positions to the detriment of large or majority tribes.⁸ Post-independence leaders who desired to unify and develop their countries faced a daunting task of reconciling the irreconcilable. Country borders could not be redrawn because of international norms and laws which protect a country's territorial integrity and the newly independent countries were too weak to engage in a forced border redrawing.

At independence, the outgoing colonial rulers put many leaders of the newly independent countries in positions of power. They followed the system left by the colonial rulers and exploited ethnic divisions to stay in power. Economic policies were made by the central government without the input of the populace because many of the new leaders of African countries were part of the elite that had helped the Europeans run their African colonies. Côte d'Ivoire, Gabon and Senegal were examples of African countries that were run by "puppet" presidents and they were part of France's post-colonial system to control former colonies, known as "Françafrique."⁹ Other African leaders that were not on good terms with their former masters feared for their power, because of the West's continued interference into the continent's affairs. Some leaders were assassinated with the help of the West, including Patrick Lumumba in the Democratic Republic of the Congo.¹⁰ This fear

⁸ Filip Reyntjens, "Rwanda: Genocide and Beyond," *Journal of Refugee Studies* Vol.9, No.3 1996

⁹ Christopher Boisbouvier, "50 years Later, Françafrique is Alive and Well", *RFI* <http://www.english.rfi.fr/africa/20100216-50-years-later-francafrigue-alive-and-well>

¹⁰ George Nzongola-Ntalaja, "Patrice Lumumba: The Most Important Assassination of the 20th Century," *The Guardian* <http://www.theguardian.com/global->

of the West forced some African leaders to be ruthless in safeguarding their power because they felt everyone was trying to eliminate them. Many current leaders still owe their power to the former masters, for example Ali Bongo of Gabon and Idriss Deby of Chad, and are protected by a standby foreign military.¹¹

Another reason for African countries' inability to develop their economies is the quality of their leaders. Since independence, Africa has been home to some of the worst leaders in the world. Many African leaders have stolen countless amounts of money from their country's coffers. They have turned their countries' central banks into their own personal accounts. They preferred to enrich themselves rather than to invest in their people and their countries to build a better future. Former and current leaders all participated in looting their economies, Mobutu of Congo, Mugabe of Zimbabwe, Dos Santos of Angola and many others. They used bribes to buy off potential challengers and have turned their countries into rent seeking entities. Their selfishness and power hunger are the cause of countless loss of life on the continent, due to their failure to provide the basic goods and services to their people. They are unable to see past their own interests causing countless coups d'état, civil wars and ruthless crackdowns on any protest against their rule. As long as there are such leaders leading African countries, development is impossible.

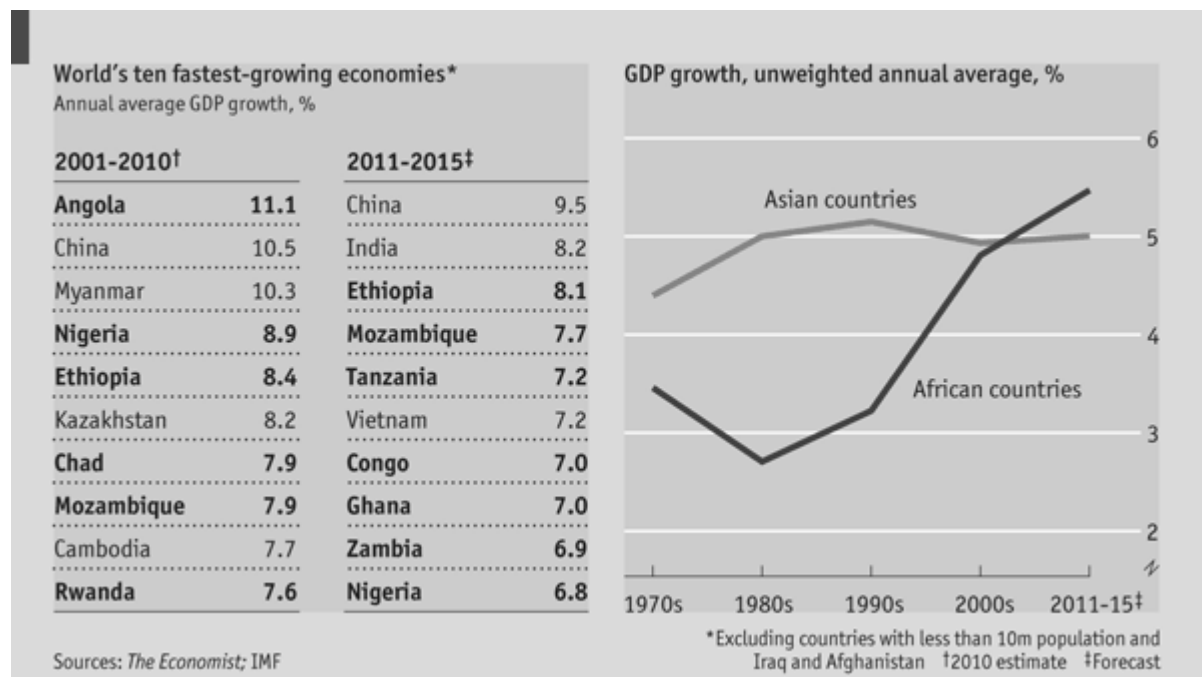
Some leaders wanted to do well but did not know how or just failed to do so. For example Julius Nyerere wanted to develop Tanzania but his development plan failed. There are some success stories on the continent, for example, Botswana and Mauritius. In the last decade, civil wars have decreased and democratic transitions have increased. Ghana and

development/poverty-matters/2011/jan/17/patrice-lumumba-50th-anniversary-assassination

¹¹ Boisbouvier, p.3

Senegal are examples of democratic countries on the continent. Civil liberty is also on the rise and political parties are becoming more about development than ethnicity. Civil participation is helping drive out dictators, most recently resulting in the overthrow of Blaise Compaore of Burkina Faso. On the economic development front, the continent has achieved some good economic growth and it is home to seven of the ten fastest growing economies in the world.¹² Table 3.1 shows the list of the fastest growing countries; the accompanying graph shows economic growth in Africa and Asia from the 1970 through 2015.

Table 3.1: world's ten fastest-growing economies



Source: TheEconomist at http://www.economist.com/blogs/dailychart/2011/01/daily_chart

The continent's achievements in the last decade in education, economic

¹² "Africa's impressive growth" (Jun 2011) retrieved from http://www.economist.com/blogs/dailychart/2011/01/daily_chart accessed February 13, 2015

development, and democracy are encouraging but much needs to be done to improve the life of Africans. Some countries are doing better than others but African leaders are still a long way from presiding over developed economies.

African Economic Policies Post-Independence to Present

As already noted in Chapter 2, at independence, many of the African countries stayed with the capitalist system left by the colonial powers. But, after a few years, some countries decided that capitalism was not the way to develop and instead adopted socialism. African leaders adjusted the communist economic model by adding the traditional African communal ownership to suit their countries. This system made the state the principal provider of goods and services to the people; in essence, the state was involved in all spheres of development, including agriculture, industrialization, and financing.¹³ Ujamaa is the most famous of the African socialist models which was implemented in Tanzania under President Julius Nyerere.

African socialism, with its rigid, top-down structure, failed to spur development and left African economies in ruin. The failures of these policies were generally viewed as due to the exclusion of private enterprise and civil society. According to Omano Edigheji, “The African state has treated other actors (business associates and civil societies) with suspicion and attempted to prevent the emergence of independent societal actors whom state officials feared would erode their power and legitimacy.”¹⁴ The top-down economy with its five-year plan did not work and the cult of personality built by these leaders

¹³ Omano Edigheji, “The African State and Socio-Economic Development: An Institutional Perspective.” *African Journal of Political Science / Revue Africaine de Science Politique*, Vol. 9, No.1 (June 2004), pp. 84-103.

¹⁴ Ibid, p. 93.

prevented the formation of any solid institutions that would have built strong states and economies.

By the 1980s, most of the continent's economies had failed and were in desperate need of assistance from the International Financial Institutions (IFIs). The IFIs responded by imposing mandatory Structural Adjustment Programs (SAPs) in return for any financial help. These programs usually included a variety of measures to open markets, remove import barriers, cut spending on social programs, devalue currencies, eliminate subsidies and price supports, and encourage exports.¹⁵ The IFIs wanted to remove the "strong hand" of the state and replace it with the free market. To a large degree, SAPs were not successful in developing the continent's economies because the free market the IFIs hoped would replace the state was practically nonexistent or too weak. African leaders did not support the programs and the SAPs were instead imposed by the IFIs. Also, the SAPs expectations were not realistic because all the countries that were able to develop rapidly after World War II needed the input of a strong state. The failure of the SAPs left the continent in the same poor state as it was before their implementation.

In the 1990s, with the deepening of European integration, the continent's economic integration into regional blocs which had started in the 1960s but had generally failed was re-invigorated to try to match or emulate European integration. Some of those re-invigorated integration arrangements were The Economic Community of West African States (ECOWAS), The Economic Community of Central African States (ECCAS), The

¹⁵ James Greenberg, "A Political Ecology of Structural-Adjustment Policies: The Case of the Dominican Republic," *Culture & Agriculture* Volume 19, Issue 3, pages 86–87, September 1997.

East African Community (EAC), and The Southern African Development Community (SADC). The Organization of African Unity (OAU) also became the African Union (AU) imitating the European Union (EU). However, African integration has still not been very successful because many of the treaties and recommendations tended not to be implemented. The schemes reflected grandiose ideas but without the will or the ability to implement them. According to Percy Mistry, “African notions of economic integration have not been grounded in the day-to-day practical realities of the continent's economic or political life. Nor has integration been seen (until recently) as a step to be taken for Africa to cope in a rapidly globalizing world that demands ever-increasing competitiveness.”¹⁶ The leaders of the continent have failed to build both national and intra-national institutions to make any integration a reality. Furthermore, the necessary infrastructure to link their nations was not built and political instability among member states did not help. As Mistry states,

They are not yet designed to foster intra-African growth and trade. Several African capitals are still better connected by air via Brussels, Paris, London, Rome and Frankfurt than directly with each other. Electricity systems and telecommunications networks have been built with national concerns in mind instead of achieving the scale benefits of regional economy and efficiency. Except in southern Africa, road and rail links are relatively undeveloped intra-nationally and even less developed inter-nationally. Shipping links are geared to extra-African transoceanic trade rather than to intra-African coastal trade. Some of that is changing; but all too slowly¹⁷

To help build the institutions and infrastructure to integrate their economies, the AU introduced the New Partnership for Africa's Development (NEPAD). It aimed to reposition Africa as an equal player in the global economy, eradicate poverty and diseases, and

¹⁶ Percy S Mistry, “Africa’s Record on Regional Co-operation and Integration,” *African Affairs*, Vol. 99, No. 397(Oct., 2000), p. 554.

¹⁷ Ibid, p. 555.

promote sustainable development and democratic governance.¹⁸ Unfortunately, NEPAD has been less than successful.

The failures of these initiatives, as well as domestic inadequacies, have left many African countries still incapable of providing the basic necessities of life to their people. The sad reality is that there is often no running water, few schools to educate their youths, few healthcare facilities to treat their sick and not enough food to feed their people. Every year seems worse than the last, with food production stagnating or decreasing, life expectancy lagging behind the rest of the world and the euphoria of post-independence transformed into bitterness and despair. As Maria Gattamorta notes,

In 1960, Africa was a net exporter of food; today the continent imports one-third of its grain; more than 40% of Africans do not even have the ability to obtain sufficient food on a day-to-day basis; a woman living in sub-Saharan Africa has a 1 in 16 chance of dying in pregnancy or childbirth (this compares with a 1 in 3,700 risk for a woman in North America)¹⁹

The continent is at the bottom of the human development index in life expectancy, education, health care and wealth accumulation. Tables 3.2 compare the African human development index to the rest of the world from 1999 to 2014. Despite all these economic policies implemented in Africa, the continent is still at the bottom in all categories except in GDP where it is doing slightly better than South Asia.

¹⁸ Edigheji, p.90,

¹⁹ Maria Egizia Gattamorta, "The Evolution of Development Strategies for Africa: From the Lagos Plan of Action to the Report of the Commission for Africa," *CEMISS Quarterly*, 2005 p. 83.

Table 3.2: Human development index (2014)

Region	Life Expectancy at birth		Literacy rate, adult total (% of people ages 15 and above)		Combined primary secondary and gross enrollment		GDP per capita (PPP US\$)	
	1999	2014	1999	2014	1999	2014	1999	2014
Arab States	66.4	70	61.3	76.4	63	89	4,550	7,179
Latin America and the Caribbean	69.6	74	87.8	92.2	74	95	6,880	9,314
South Asia	62.5	67	55.1	61.4	53	91	2,280	1,474
Sub-Saharan Africa	48.8	56	59.6	59.3	42	70	1,640	1,615
Eastern Europe and Central Asian	68.5	72	98.6	98.1	77	99	6,290	7,087
OECD	76.6	81	97.5	98.8	87	99	22,020	43,903
East Asia and the Pacific	69.2	74	85.3	94.5	71	105	3,950	5,536

Source: World Bank Data <http://data.worldbank.org/country>

Different economic models, many failures and few successes mark Africa's economic development. In the next chapter, I will look at four African countries, Tanzania, Botswana, Ethiopia and Ghana. I am interested in describing the development models that they have adopted in order to assess which have been unsuccessful and which have some promise for success. I am particularly interested increasing whether local input improved development performance.

Chapter 4

Case Studies

African countries have tried many development models, such as liberal capitalism and socialism. We will look at different economic development programs or policies implemented in Tanzania, Botswana, Ethiopia, and Ghana and how successful these programs were. First, let us look at Tanzania.

Tanzania

Map 4.1: location of Tanzania



Source: <http://www.Graphic maps.com>

Tanzania is located in the East of Africa bordering the Indian Ocean. It gained independence from the United Kingdom on December 9, 1961. Like other African colonies, Tanzania was used primarily as an exporter of commodities to the mother country. After independence and the subsequent union with Zanzibar to form the United Republic of Tanzania, it continued implementing the economic policies laid out by the British. The most important sectors of their economy were left under the control of foreign companies. Three British banks (Barclays, Standard, and National and Grindleys) controlled the banking sector. But by 1967, the global push for the South to get rid of

Western control of those regions and for the South to become self-sufficient gained ground. In that year, the Tanzanian government, led by Julius Nyerere, announced in the Arusha Declaration the introduction of the Ujamaa economic program. Ujamaa was one of the most popular African socialism programs, as mentioned earlier; it is rooted in the traditional African values and had at its core the emphasis on family bonds and the communitarianism of traditional African societies. It was also influenced by Marxism, Leninism, and Maoism.¹ Ujamaa advocated self-reliance:

It was suggested that to redress this [lack of development of African economies], African states needed to aim at localizing the factors of economic development through autonomous policy formulation and implementation. To achieve this, there was a need to mobilize the efforts of the community and maximize the utilization of available resources towards the satisfaction of the basic needs of the population.²

The principles of Ujamaa were outlined in the Arusha Declaration which emphasized that Tanzania does not have money to develop its industries and it should not be dependent on foreign aid for its development, because it is not going to work now and will not work in the future. Instead, it advocated agricultural development and hard work as the way to economic development and self-reliance.

It is stupid to rely on money as the major instrument of development when we know only too well that our country is poor. It is equally stupid, indeed it is even more stupid, for us to imagine that we shall rid ourselves of our poverty through foreign financial assistance rather than

¹Bonny Ibhawoh and J.I. Dibua, "Deconstructing Ujamaa: The Legacy of Julius Nyerere in the Quest for Social and Economic Development in Africa," *African Journal of Political Science / Revue Africaine de Science Politique*, Vol. 8, No. 1 (June 2003), pp. 59-83.

² Ibid, p. 63.

our own financial resources. . .

The development of a country is brought about by people, not by money. Money, and the wealth it represents, is the result and not the basis of development.

Industries will come and money will come, but their foundation is the people and their hard work, especially in agriculture. This is the meaning of self-reliance. . . .³

The Ujamaa developmental program had two parts: first, nationalization of major industries like banking, agriculture processing plants, and import and export companies; second, creation of Ujamaa villages (villagization), created to allow villagers to live in communal ways by sharing available resources to the benefit of all in the rural areas.

The Ujamaa program at the beginning seemed to be working; "growth [was] recorded in the industrial sector as well as an increase in the balance of payments position of the country from about 81.9 million Tanzanian shillings in 1968 to about 134.5 million Tanzanian shillings in 1969."⁴ Moreover,

One of the objectives of nationalization was to ensure that domestic capital generated was available for use in the country by reducing the amount of capital exported out of the country. This goal would appear to have been achieved...Not only was there progressively less dependence of the Tanzanian monetary system on that of Western economies, capital outflow from the economy was significantly reduced. In fact, by the end of 1967, the Bank of Tanzania had so successfully diversified the country's foreign reserves away from the British pound sterling that it was able to avoid a devaluation of the Tanzanian shilling in the wake of the British devaluation of the pound sterling in November 1967.⁵

The euphoria at the beginning was short lived. The economy declined because the growth at the beginning was due to the increase in public sector spending and villagization

³ Tanzania: Arusha Declaration, 1967 <http://www.fordham.edu/halsall/mod/1967-arusha.html>

⁴ Ibhawoh, pp. 66

⁵ Ibid 67

failed because villagers were reluctant to leave their home village and move to the Ujamaa villages. The decision by the government to coerce villagers into moving to the Ujamaa villages caused agriculture production to decrease and doomed the self-reliance programs.⁶

Table 4.1 shows a breakdown of capital growth, external debts, monetary growth and gross investment in the Tanzanian economy from 1968-1985.

	Per capita inc growth %	External debts, millions \$	Inflation %	Monetary growth %	Gross investment % of gdp
1968	2.1		14.5	17.8	18.4
1969	-0.7		15.2	9.2	16.3
1970	3.0	212	3.5	12.0	22.9
1971	0.8	284	4.7	18.2	26.8
1972	2.3	407	7.4	17.7	23.6
1973	0.5	619	9.9	18.2	22.6
1974	-0.5	900	17.9	22.1	21.6
1975	2.9	1170	23.2	24.4	20.8
1976	2.3	1380	6.6	25.1	29.0
1977	-2.7	1700	11.0	22.2	29.4
1978	-1.9	1970	6.4	12.6	33.8
1979	0.2	2070	12.2	46.9	33.6
1980	-0.2	2450	26.4	26.9	33.1

Table 4.1 continued

⁶ Arne Bigsten and Anders Danielsson, "Is Tanzania an Emerging Economy?", A Report for the OECD Project "Emerging Africa" OECD.org
<http://www.oecd.org/countries/tanzania/2674918.pdf>

1981	-3.7	2880	22.8	18.1	28.6
1982	-2.7	3130	25.4	19.5	26.0
1983	-5.6	3390	23.5	17.8	19.3
1984	0.2	3620	30.9	3.7	20.2
1985	1.4	4030	28.7	30.3	18.7

Source: Arne Bigsten and Anders Danielsson, "Is Tanzania an Emerging Economy?" A Report for the OECD Project "Emerging Africa". p. 11-13

By all accounts the Ujamaa economic development policies destroyed Tanzania's economy and by the end of the program, Tanzania was poorer than when the program began. But some scholars point to other achievements that Ujamaa accomplished, such as better education, health care, political stability and population harmony:

Proponents of the second school, while conceding that the economic achievements of Ujamaa were quite modest, point to significant successes in social welfare terms such as the provision of health and educational facilities; a movement towards greater social equality in income distribution; the maintenance of political stability and the achievement of a substantial degree of harmony between the country's ethnic groups.⁷

The failure of the Ujamaa development program can be attributed to many things. First, there were bad economic policies: the Nyerere government genuinely wanted to develop the Tanzanian economy but the choice of Marxist-Leninist ideology as a way to develop the country's economy proved to be disastrous. The decision to nationalize important sectors of the economy without having the skilled staffs to run them hurt the economy. Many British firms viewed nationalization of the economy as an attack on their

⁷ Ibhawoh, p 70.

businesses. British banks were openly hostile to the Ujamaa because they feared that if the nationalization of Tanzanian banking was successful, other countries in the sub region would follow. Therefore they decided to do everything to make nationalization a failure.⁸

The overregulation of the economy and the strict control of monetary exchanges, coupled with the suspicions by the government of private enterprises, made economic development impossible. Agriculture, which was the biggest contributor to the state coffers, suffered due to the Ujamaa villages. Villagization may have looked good in theory but in practice it was a nightmare. Forcing villagers to leave their own villages and move to the Ujamaa villages was too much to ask the farmers. Many farmers refused to move to the Ujamaa villages. The forced movement of villagers created distrust between farmers and the authorities. That distrust was the last blow to the Ujamaa program, despite late efforts to address these issues.

Nationalization of companies does not equate to a death sentence for an economy. Nationalized companies or state owned companies could succeed in helping to develop a country as long as the right people are put in charge to run such entities efficiently. Many developed and developing countries have used state controlled companies to help with their development, such as Gazprom in Russia, Petrobras in Brazil, Sinopec in China, and Areva in France. In the case of Tanzania, skilled individuals with experience to run such companies were few if any, and the available skilled individuals were distrusted by the government and not used effectively. All that contributed to the failure of the nationalization program.

After 1985, the government that came to power was forced to liberalize the

⁸ Ibid, p. 65.

economy under a structural adjustment program as a requirement to get loans from the IFIs. The agricultural sector, which was the most important, was liberalized and the government no longer intervened in production, processing, and marketing. Export restrictions were eliminated and foreign exchange relaxed and even tariffs were lowered.⁹ From 1990 to 2005, Gross Domestic Product (GDP) per capita was stable and the annual growth rate of total GDP rose to 4.3 percent.¹⁰ Since 2006, economic growth averaged 6.7 percent.¹¹ But despite the modest GDP growth, SAPs are seen as a failure because they failed to end poverty and bring long lasting development. Also, the government of Tanzania was never fully engaged in the SAP program. According to Anders Danielson, “in order for Tanzania to achieve a per capita income corresponding to one dollar a day in 2025, the average annual rate of growth between 2000 and 2025 has to increase to over 7 percent per annum. In addition, this should be regarded as an absolute minimum. For purposes of poverty alleviation, higher rates of growth are likely to be necessary.”¹²

⁹ Donna M. Y. Read and Kevin A. Parton, “Economic Deregulation and Trade Liberalization in Kenya, Tanzania and Uganda: Growth and Poverty” *Journal of Economic Issues*, Vol. 43, No. 3 (September 2009), pp. 567-586.

¹⁰ Ibid, 574.

¹¹ World Bank Data <http://data.worldbank.org> accessed May 5, 2015.

¹² Anders Danielson, “Prospects for Private Sector-Led Growth in Tanzania.” *Africa Spectrum*, Vol. 35, No. 3 (2000), pp. 313-337.

Botswana

Map 4.2: location of Botswana



Source: <http://www.graphicmaps.com>

At independence, Botswana was the second poorest country in the world, behind only Bangladesh. After independence, it achieved the highest average rate of economic growth in the world.¹³ Bechuanaland Protectorate, the name of Botswana under British rule, did not have a capital; it was administered from South Africa in Mafikeng. Education in the colony was low and some towns only had a few tarred roads.¹⁴ After independence, the country was surrounded by warring countries, Angola, Zimbabwe, Namibia and apartheid South Africa.¹⁵ Botswana is also a land locked country, which according to Paul Collier's development trap theory, makes it destined to poverty:

"landlocked countries incurred much higher transport costs...landlocked countries were

¹³Thad Dunning, "Resource Dependence, Economic Performance, and Political Stability," *The Journal of Conflict Resolution*, Vol. 49, No. 4, Paradigm in Distress? Primary Commodities and Civil War (Aug., 2005), pp. 451-482

¹⁴ Charles Harvey, and Stephen R. Lewis, Jr., *Policy Choice and Development Performance in Botswana*, London, Macmillan, 1990

¹⁵ David Rodrik, "Trade policy and economic performance in Sub-Saharan Africa" Harvard University. <https://www.sss.ias.edu/files/pdfs/Rodrik/Research/trade-policy-economic-performance-africa.PDF>.

hostages to their neighbors.”¹⁶ But even Collier pointed out that Botswana is an exception to the rule when it comes to African landlocked countries.

Botswana’s choice of economic policies after independence helped the country sustain a high rate of economic growth and avoid the curse of other African resource rich countries. Diamonds are Botswana’s main natural resource. Thad Dunning, author of the article *Resource Dependence, Economic Performance, and Political Stability*, argues that there are two reasons that explain Botswana’s economic growth: the structure of the world diamond gem market and Botswana's unusual relationship with its principal multinational investor, De Beers.¹⁷ De Beers has strong control over diamond production and resale. De Beers controls the sale of diamond gems through the Central Selling Office (CSO), which it owns. CSO allows De Beers to control the price of diamonds in the market and thus to stabilize the revenue from diamonds. That steady flow of diamond revenue helped protect Botswana from the boom and bust of commodity prices that many other countries face.

Botswana also enjoyed an unusual relationship with De Beers. Even though diamond prospecting started before independence in the 1950s, it became clear that the country would become an important exporter of diamonds with the discovery of the Orapa mine in 1967. That discovery gave Botswana leverage over De Beers in negotiating the terms of the revenue stream deal. The decision of the Botswana government not to nationalize its mines, during the time that other African countries were embarking on economic nationalization, and the anxiety that De Beers experienced in

¹⁶ Paul Collier, *Bottom billion Why the Poorest Countries are Failing and What Can Be Done About It*. Oxford University press. p.56.

¹⁷ Dunning pp. 460-461

wanting to keep control of the diamond industry, played in favor of Botswana: "for example, when De Beers sought a lease from the Botswana government in 1974 to begin production at a second mine, at Letlhakane, the government was apparently able to increase its total share in the profits of diamond mining from 50 percent to around 75 percent."¹⁸ The discovery in 1977 of the Jwaneng Diamond mine, the richest in the world, "helps explain why De Beers would strike deals that promised long-term advantage to Botswana: the country's share of total sales of the CSO grew from 3 percent in 1976 to a high of 44 percent in 1987."¹⁹ Table 4.2 below shows the percentage increase in diamond exports of Botswana from 1976 to 1994.

Another reason for Botswana's success is its proximity to Africa's second largest economy, South Africa. That proximity gave it access to a better transportation infrastructure which negates or eliminates the high cost of transport other landlocked countries face. It has also benefited from being a member of the South African Customs Union (SACU), where it receives substantial revenue, "These customs revenues amount to around 20 percent of the value of Botswana's imports."²⁰

The constant flow of revenue from diamond mining, plus the inclusive political structure created by Seretse Khama, Botswana's first president, with all major tribes in the country having a stake in the success of the government through the *Ntlo ya Dikgosi* (advisory body to the parliament), and also the investment in education, infrastructure, and health care, all have made Botswana the envy of many African countries and the hope for all resource cursed states.

¹⁸ Ibid, p.462.

¹⁹ Ibid, p.463.

²⁰ Rodrik, p. 33.

Botswana instituted well-planned indigenous economic policies that leveraged the country's economic advantage, diamonds. It created an economic model that did not follow the bandwagon, like so many other African countries. Botswana demonstrated the possibility of managing natural resources revenues and investing the money wisely. It proved that an open economy is better than a closed one and that it is possible to have a joint venture with foreign multinationals that will benefit the African country. Botswana has proved that the best economic policy is a policy that leverages each country's natural advantage and has capable officials to manage it.

Table 4.2: the percentage increase in diamond export of Botswana from 1976 to 1994

Year	Botswana's share of Sales of Central selling Office (De Beers	Diamond exports (millions of Dollars	Percentage increase (decrease)of Diamond export over previous years
1976	3	43	-
1977	3	56	30.2
1978	4	92	64.3
1979	9	226	145.6
1980	11	305	35,0
1981	11	163	46.6
1982	19	246	50.9
1983	26	421	71.1
1984	30	480	14,0
1985	30	555	15.6

Table 4.2 continued

1986	26	656	18.2
1987	44	1,342	104.6
1988	26	1,083	19.3
1989	35	1,422	31.3
1990	34	1,412	0.7
1991	37	1,465	3.8
1992	40	1,363	7.0
1993	32	1,378	1.1
1994	33	1,396	1.3

Source: Thad Dunning "Resource Dependence, Economic Performance, and Political Stability" The Journal of Conflict Resolution. Page 462

Ethiopia

Map 4.3: Location of Ethiopia



Source: <http://www.graphicmaps.com>

Ethiopia is one of only two countries that have not been colonized in Africa (except for a few years of occupation by the Italians). The country has a long history marked by successes and failures. Ethiopia was a monarchy for almost all of its history and its society was divided into castes. As in all monarchies, the elite ruled and owned the land and the poor or peasants leased the land they worked on. But from 1960 to 1974, the monarch attempted to modernize the country by adopting a market oriented economy and building schools and hospitals:

Attempt was made to modernize the country through the expansion of modern schools and health facilities, the promulgation of a constitution, the development of infrastructure, and the beginning of medium-term planning. The Imperial Regime pursued a market-based economic policy....GDP growth averaged 4 percent over the final phase (1960-1974), the average capital growth was roughly 1.5 percent.²¹

²¹ Alemayehu Geda, "The Political Economy of Growth in Ethiopia," Addis Ababa University"
http://www.alemayehu.com/AA%20Recent%20Publication/Growth_CambChap_Sept2006.pdf accessed April 25, 2015.

At the beginning of 1973, a famine started in Wollo, the north of the country, but the authorities minimized it. Emperor Selassie said during an interview: "Rich and poor have always existed and always will. Why? Because there are those that work ... and those that prefer to do nothing ... Each individual is responsible for his misfortunes, his fate."²² At the same time the government decided to lower salaries, raise fuel costs and reduce government support for education. These actions caused many Ethiopians to protest against the government. The military took advantage of the situation and took over power.

The Berg (as the military committee was known) opted to adopt a Marxist-Leninist socialist economic system. They choose "Ethiopia Tikdem," meaning Ethiopia first, as their motto. The declaration on economic policy of socialist Ethiopia stated:

Those resources that are either crucial for economic development or are of such a character that they provide an indispensable service to the community will have to be brought under government control or ownership. Essential economic activities which are not amenable to centralized public management will, though outside the public sector, be subject to public monitoring to ensure that the public interest is properly served. Activities and the private sector which are not harmful to the interests of society will be left in private hands in so far as they do not impede the objectives of "Ethiopia Tikdem."²³

The Berg nationalized all private companies and abolished private land ownership. They forced villages to form cooperatives to improve productivity and

²²Gopalakrishna Kumar, "Ethiopian Famines 1973-1985: A Case Study," *World Institute of Development economics Research of United Nations University*, Oxford, November 1987 http://www.wider.unu.edu/publications/working-papers/previous/en_GB/wp-26/

²³ Eshetu Chloe and Makomen Manyazewal, "The Macroeconomic Performance of Ethiopian Economy 1974-1990," *The Ethiopian Economy: Structure and Policy Issues*.
Page 3-42

better use the land. As in Tanzania, they saw agriculture as the basis of their socialist development and believed that a command economy was the only way to achieve self-reliance. Their centralized approach to economic development caused the economy to decelerate. From 1974 to 1990 per capita growth decelerated from 2.3 to -0.4 percent. Agricultural output also decreased due to weather irregularity.²⁴ Table 4.3 shows the effect of the Berg economic policies on GDP growth from 1974 to 1990.

Table 4.3 the Effect of the Berg Economic Plan on Ethiopia 1974- 1990

GDP COMPONENT	1974-78	1979-83	1984-85	1986-87	1988-90	1974-90
Commodity producing sectors	-0.4	3.7	-8.9	-9.5	-0.2	1.2
1.1 agriculture	-0.1	2.6	-13.1	11.8	0.1	0.7
1.2 industry	-1.8	7.2	3.0	4.1	-1.1	2.5
-manufacturing	-0.6	11.1	2.7	5.6	-0.6	4.2
-construction	-4.6	5.6	3.6	2.6	-6.1	0.2
Service sectors	2.1	5.3	1.0	5.4	3.0	3.5
2.1 Distribution	-2.6	6.4	0.4	6.6	1.3	2.5
-Trade	-4.1	6.5	-2.5	6.9	-0.2	1.5
-Transportation	1.3	6.4	6.8	6.1	4.0	4.6
2.2 Other services	6.4	4.5	1.4	4.4	4.4	4.5
-Public administration and defense	10.7	3.7	1.3	3.4	6.7	5.7
	--	--	--	--	4.6	--
-Social services	2.4	5.0	1.9	11.1	--	--
-health & Med.	3.0	7.1	8.8	6.3	--	--
-Education						
Total GDP	0.4	4.2	-5.3	7.9	1.0	1.9

Source: Office of National Committee for Central Planning (ONCCP). Eshetu Chloe and Makomen Manyazewal, "The Macroeconomic performance of Ethiopian economy 1974-1990," The Ethiopian Economy: Structure and Policy Issues. Page 21-22

²⁴ Geda, p.3

The regime fought wars with Eritrea (which was considered part of Ethiopia) to the north, Somaliland to the East, and rebels of the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) led by Meles Zenawi. Those wars, coupled with the failure of the controlled economy and the drought in the 1980s, destroyed what was left of the economy.

The attempt to run a command economy was bound to prove futile in the Ethiopian context, for a number of reasons. In the first place, given the dominant role of agriculture (and subsistence agriculture at that) in the economy, a sector heavily dependent on climatic factors, the scope for policy intervention is limited. Secondly, although the Ethiopian economy was often described as socialist, this was more intention than reality. It is not always recognized that about two-thirds of national income originated from the private sector, indicating that the scope for centralized direction was limited. Thirdly, given the state of war and instability that characterized most of the Berg's rule, economic decision-making in most cases was tantamount to crisis management; as such, it did not permit sober long-term planning. In spite of all these considerations, the government continued to act as if it could manipulate the economy at will, with disastrous consequences.²⁵

In 1991, with the end of aid from the Soviet Union, the Berg government was unable to hold power and was defeated by the Ethiopian People's Revolutionary Democratic Front (EPRDF). The EPRDF government with the help of the IFIs adopted market-oriented economic reforms with Ethiopian characteristics. The new administration sought to distance itself from the Berg by privatizing some state owned companies, encouraging competition among state companies within the economy, and liberalizing the economy by stopping price fixing and allowing the market to determine

²⁵ Chloe, p.28.

prices.²⁶ After the liberalization, the economy grew considerably. It was only interrupted briefly by the war with Eritrea from 1998-2000. Since 2004, the economy has been growing at a rate of 9 percent or more per annum up to 2014.²⁷

While the EPRDF was liberalizing Ethiopia's economy, it still did not want to cede control of industries that it considered as key, like telecommunications and banking. Meles saw poverty as the enemy that needed to be vanquished. "In his first press conference in Addis Ababa, in reply to a question about his goals, Meles declared that he would consider his government a success if Ethiopians were able to eat three meals a day. All his national policies were framed around the conquest of poverty."²⁸ He hated the IMF SAP programs and saw them as a failure. Instead he proposed a "Democratic Developmental State," a vision inspired by the success of Taiwan and South Korea. He argued, "The route to accelerated economic growth was through a strong state to encourage and direct investment, and through inculcating the values of hard work among the general population."²⁹

He believed that African countries could not compete in the international market because their manufacturing sector was basically nonexistent and they only could export minerals and some exotic foods like coffee or cacao. Food could be produced at a cheaper rate in South America and the Asians dominated manufacturing.³⁰ He believed that

²⁶ Tilmann Altenburg "Industrial Policy in Ethiopia" *German Development Institute*, Bonn, 2010 p.7.

²⁷ World Bank Data at

<http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG/countries/ET?display=graph> accessed April 24, 2015.

²⁸ Abdul Mohammed and Alex de Waal. "Meles Zenawi and Ethiopia's Grand Experiment" *NY times.com*, April 22. 2012. Accessed, April 24, 2015.

²⁹ Ibid, p. 3.

³⁰ Ibid, p. 4.

adopting a laissez faire policy would be the last blow to African productivity. According to Mohammed and de Waal, Meles felt that “Laissez faire economics would result in the evisceration of the productive sector, emigration of skilled workers and impoverishment of the masses.”³¹ His economic policies seemed to be working; if the rate of economic growth could be maintained, Ethiopia would be a middle-income country in no time. “Meles’s policies delivered economic growth as high as 10 percent per annum for most of the last decade [2004-12] — a rate that has never been achieved in Ethiopian history; if sustained, this would transform one of the world’s poorest nations into a middle-income country. Today [2012], the country’s infrastructure projects are impressive. Corruption is low and aid is well spent.”³² Even with the death of Meles on August 20 2012, the architect of Ethiopia’s renaissance, the economy is still growing at double digit rates as of 2014.³³

The resurgence of the Ethiopian economy can be explained by how Meles and his government saw poverty. For Meles, as stated earlier, poverty was the worst enemy and needed to be defeated. So he designed an economic policy that created a strong state to plan and develop the economy. But his strong state was different from the previous strong state created by the Berg government and even the Nyerere government in Tanzania, because his strong state did not own or control the whole of the economy and private companies were allowed to exist and trade freely. His policy was similar to that of the East Asian countries but with the exception of the export oriented component. He also proved that foreign aid is not the problem as long as the aid is used properly and he

³¹ Ibid, p.4.

³² Ibid, p.5.

³³ World Bank Data <http://data.worldbank.org/country/ethiopia>

used the foreign aid Ethiopia was receiving to invest in the country's infrastructure and institutions, which has helped the country sustain its double digit economic growth. He also created a new administrative division in government. All the major tribes had a region under their control within Ethiopia. In addition, he set up a merit based system for government workers. All this helped create a stable political system where all the tribes have a stake in the stability of the country. That was apparent when Meles died, and his vice president, who was not a member of his tribe and had not participated in the war against the Berg government, succeeded him without a hiccup. If Ethiopia continues to grow at this rate, it will meet its goal of becoming a middle-income country by 2025.

Ghana

Map 4.4. Location of Ghana



Source: <http://www.graphicmaps.com>

In the 1950s, the Ghanaian economy was one of the strongest in sub-Saharan Africa. Ghana was the largest producer of cocoa beans; it had a range of minerals: gold, diamond, manganese and bauxite. It had a fairly developed infrastructure network of rails and roads. It had an educational infrastructure and well educated elites. Ghana was the envy of the continent. By independence in 1957, optimistic expectation was the mood of the day, but by the time the country celebrated its 25th anniversary in 1982, the optimistic mood had turned into a nightmare. Cocoa bean production was half of what it had been pre-independence, food production had not kept up with population growth, mining was stagnant, and its economic and social infrastructure, hospitals, schools, and transportation, were all on life support. Its once educated elites had left the country to look for a better future.³⁴ How did this happen to Ghana?

³⁴Robert M. Price “Neo-Colonialism and Ghana's Economic Decline: A Critical Assessment”

Ghana, like many African countries after independence, wanted to Africanize their economy which was controlled by foreign multinationals. In the case of Ghana, at independence, 90 percent of the country's import trade was in the hands of foreign firms; two British banks shared about 90 percent of all banking business; expatriate companies held 96 percent of total timber concessions; foreign investors owned all functioning gold mines and controlled about half of the annual diamond production; general insurance was entirely in the hands of expatriate firms; and foreign companies earned the bulk of total receipts in the small manufacturing sector.³⁵ Kwame Nkrumah's government wanted to decolonize the economy by creating state enterprises to take over important industries from foreign multinationals. Nkrumah was also fearful of creating an indigenous business elite because he believed that a successful indigenous business class would challenge his power: he noted "Any Ghanaian with a lot of money has a lot of influence; any Ghanaian with a lot of influence is a threat to me."³⁶

State companies created by Nkrumah were given monopolies to export and import goods. A monopoly in banking, manufacturing, and mining was also given to newly created Ghanaian companies. The foreign companies and the indigenous business class were denied licenses to continue their trade and the network they built collapsed. State companies became the driving force of the Ghanaian economy

By 1965 the state importing enterprise handled 35 percent of the country's total commercial imports; the

Canadian Journal of African Studies / Revue Canadienne des Études Africaines, Vol. 18, No. 1 (1984), pp. 163-193.

³⁵ John D. Esseks, "Political Independence and Economic Decolonization: The Case of Ghana under Nkrumah" *The Western Political Quarterly*, Vol. 24, No. 1 (Mar., 1971), pp. 59-64.

³⁶ *Ibid*, 61

state insurance corporation transacted about 50 percent of all insurance business; the government's commercial bank accounted for over 60 percent of total deposits; the state-owned Black Star Line carried about 17 percent of Ghana's seaborne commerce; the government's Ghana National Construction Corporation had succeeded in displacing almost all private contractors from the largest subsector of building and construction, that was financed by public funds; and the factories owned by the state or partnerships between government and private interests produced 27 percent of total output in manufacturing.³⁷

State companies controlled a huge percentage of Ghana's economy; however, they could not handle the responsibilities of satisfying all the demand of society, due to mismanagement and poor planning. The result was a shortage of imported goods, incomplete public funded projects, and a huge debt accumulated from Communist and Western sources. On 24 of February 1966, Nkrumah was ousted by the military and replaced by the National Liberation Council (NLC). The NLC stayed in power for three years and returned power to a democratic civilian government under Dr. Kofi Busia. His government was overthrown after two and half years by General Ignatius Kutu Acheampong due to his failure to deal effectively with the economy's woes and the fact that he had angered the military. Subsequent military coups ensued until in 1981, Flight Lieutenant Jerry Rawlings became head of state.

Rawlings' government, at the beginning, was anti-imperialist and anti-Western, but by 1983 it embarked on the liberalization of the economy under SAPs supported by the IMF and World Bank. Many of the groups that made up his base of power, the

³⁷ Ibid, 62.

students and the unions, were against liberalization and believed that liberalization was not going to benefit Ghanaians but rather would benefit only foreign companies and expatriates. But he persisted and stood firm on the liberalization of the economy. He hired intellectuals such as the minister of finance Kwesi Botchwey to help stabilize and run the economy. He courted all members of the society and avoided alienating the private sector by not competing with them via government spending programs. He helped the private sector by enhancing the business environment through a low corporate tax structure, import duty exemptions on capital equipment, and liberalization of trade and foreign payment arrangements to help sustain the Ghanaian economy.³⁸ In general, the SAPs under the Rawlings government helped improve the life of some but not all.

Overall, structural adjustment programs in Ghana favored cash crop farmers and export oriented industries; the policy was also beneficial to rural areas where both devaluations and producer price increases helped to stimulate higher production. Conversely, the same policies brought down living standards for [the] majority of urban dwellers, such as workers, students, civil servants and so on, who were hit hard by IMF stabilization measures, and they responded as economic interest groups with all the vigor they could muster.³⁹

Rawlings was able to politically stabilize the country and turn the country into a democracy. After nineteen years in power, he left Ghana in a better position than when he took over and built the infrastructure and institutions for a prosperous democratic country. He stepped down when his second mandate finished and handed power over to the opposition that had won the election. Subsequent Ghanaian leaders have followed the

³⁸ John L Adedeji, "The legacy of J.J. Rawlings in Ghanaian politics 1970-2000," *African Studies Quarterly*, Vol.5, Issue 2, Summer 2001. Pp. 1-27.

³⁹ Ibid, p.7

economic plan laid out by Rawlings, and Ghana is seen as success story on the continent. The discovery of oil and subsequent exploration was supposed to make Ghana a middle-income country. But mismanagement of petrodollars and the cost of the expansion of government workers are forcing the government to seek help from the IMF. The Cedi, Ghana's currency, has lost 40 percent of its value in a year.⁴⁰

Under Rawlings, Ghana was successful in stabilizing and developing its economy for a few reasons. First, there was the personality of Rawlings: he saw himself as the savior of Ghana and his vision for the country was to bring stability and prosperity. He believed in the Economic Recovery Programs (ERP) imposed by the IMF and World Bank as part of SAPs and made them his own. He brought in intellectuals to help him set the economic agenda and he was able to communicate to the people that the sacrifice they were making was for the betterment of the society in general.

Second, Ghana was the first country to try the SAPs and the IFIs wanted it to succeed, to encourage other countries to keep or adopt the SAPs. The Rawlings government was able to exploit that by extracting more money from the IFIs. The IMF and the World Bank helped Ghana in devising and implementing the plan. Nevertheless economic stabilization did not improve the lives of all segment of society. Moreover, although the IFIs sent experts to Ghana from Norway to help them avoid the oil curse that many African countries face when Ghana discovered oil in the Jubilee oilfield in 2007, oil production has still had some negative effect on the society.

⁴⁰ Monica Mark "Ghana's Plea to IMF a Sad Recognition of the Perils of Prosperity" *The Guardian* <http://www.theguardian.com/global-development/2014/aug/08/ghana-imf-oil-inflation-currency>

Conclusion

These four countries, Tanzania, Botswana, Ethiopia, and Ghana, each tried different developmental models to develop their economies. In Tanzania, the Nyerere government chose communal, socialist, Marxist and Maoist policies. The nationalization of the economy, coupled with the establishment of Ujamaa villages, destroyed the economy although the experiment led to a high literacy rate, good health care and a strong Tanzanian identity shared by all the population. The failed experiment with Ujamaa forced Tanzania later to pursue a market oriented economy under the coercion of the IFIs and that too failed because the government did not invest much in the programs.

In Botswana, the choice of a politically inclusive policy by President Khama in the form of Ntlo ya Dikgosi, the abundant revenue from diamonds, the special relationship with De Beers, the membership in SACU, the investment in education, infrastructure, and health care, and the commitment to a market oriented economy, all helped make it the success story in Africa and an exception to the poverty trap attributed to landlocked countries in bad neighborhoods. However, its failure to diversify its economy away from diamonds leaves it exposed.

For Ethiopia, famine has become the Achilles heel of the people and any government. The imperial government chose a market oriented economy but failed to develop the economy and the drought of 1973 caused its demise. The Berg government went in the opposite direction and chose a Marxist-Leninist model of economic development, but that too failed miserably. Its inability to keep the country stable and the famines of the 1980s doomed that administration. The current government of EPRDF decided to go with a mix of a liberal market oriented economy with Ethiopian

characteristics called the “democratic developmental state.” So far it is working and the economy is growing at an unprecedented rate of 10 percent a year, with major investments going to education, infrastructure, agriculture, energy and health care. If it continues to grow at this rate, Ethiopia will become a middle-income country by 2025. However, economic growth has come at some cost to democracy because freedom of expression is non-existent and elections are unfair. The last general election, the EPRDF and its allies won 100% of the parliamentary seats.⁴¹

In Ghana, the market-oriented economy at independence was replaced by a socialist economic model under the Nkrumah government. His economic policies failed and that caused the fall of his government. After a multitude of governments, the Rawlings government was able to stabilize the country and embark on a liberalization program with the help of the IMF and the World Bank. A strong leader, Rawlings, succeeded in making Ghana prosperous and democratic and the governments that followed have kept the economy moving in the right direction. But with the new oil exploration and the mismanagement that is occurring, the country is once again faced with economic problems and is asking the IMF for help.

The cases demonstrate that economic development is not one size fits all and there seems to be at least three things a country needs to do to develop its economy. First, a strong leader is needed who has the vision and conviction to develop the country; we saw that in Khama’s Botswana, Zenawi’s Ethiopia and Rawlings’ Ghana. All these countries had a leader who believed in his economic policies and invested the required

⁴¹ “Ethiopia Election: EPRDF Wins Every Seat in Parliament,” BBC news accessed 7/31/15 <http://www.bbc.com/news/world-africa-33228207>

capital to make it succeed. Second, having a market oriented economy is helpful. Closed economies have not worked, we saw that in Nyerere's Tanzania, the Berg's Ethiopia and Nkrumah's Ghana. Economic development requires the interaction between countries with the world economy. Developing countries need to open up their economies to bring in foreign direct investment and new technologies. Third, it is beneficial to have an economic plan that incorporates the country's advantages; Botswana is a good example of a country that has used its natural advantage in diamonds as a corner-stone for its development. Botswana's leaders understood that they could use the diamond revenues to transform the country's economy and they have been successful in changing the lives of their people.

Chapter 5

Six Step to Help Guide Economic Development

Looking at these four cases, it is clear that only Botswana has been able to consistently design and implement economic development programs that succeeded. Botswana's economic development is a success story and it is proof that an indigenous economic plan developed by Africans can work. Since independence, Botswana's advantage in diamond exploration has been the cornerstone of its economic development plan. However, Ghana and Ethiopia have also experienced some success in the last 10 years. In this chapter, I assess the factors needed to achieve success in development, based on the example of my selected countries. Success appears to be based on six factors: political inclusion; competent and visionary leaders and officials, an open market; investment in social and economic infrastructures; regionalism; and encouraging but managing foreign assistance.

Political Inclusion

As stated in Chapter 4, the first president of Botswana, Seretse Khama, created the Ntlo ya Dikgosi, an advisory body to the parliament, where every tribe in the country is represented. This allows everyone to feel like part of the country with a stake in the success of the economy. This inclusion of all members of their society stabilized the country and has allowed development to progress. Also, despite what would seem to be an undemocratic requirement, the dominance of the Botswana Democratic Party since independence guaranteed the continuation of economic policies: "It is not only the choice of strategies that makes a significant difference in economic performance, given exogenous conditions, but the sufficiently long rule of the coalition or dominant party is also a major

factor contributing to a consistent strategy of purposeful direction in economic growth.”¹

In Ethiopia, since the end of the Berg regime, the Ethiopian government despite undemocratic tendencies has tried to make all major tribes feel like part of the country by decentralizing power. It rearranged its regions based on ethnicity, where each major tribe controls a region.² In the federal assembly (the House of Peoples’ Representatives), 20 seats are reserved for minority tribes.³ Also, government promotion is based on meritocracy and that was apparent when Hailemariam Desalegn replaced Meles Zenawi as Prime Minister after his death without any problem, even though Hailemariam was not a member of his tribe or a participant in the struggle against the Berg regime. Each African country would have to find its own political inclusion model based on its country’s characteristics.

Good Leadership

The resource curse has been associated with many natural resource rich countries. The boom and bust that comes with natural resource explorations leaves many countries exposed when the commodity exploration ends or declines. Botswana has been an exception to that rule. It has managed to avoid the resource curse by doing two things: good management of the government’s budget and accumulation of international reserves. The government made a conscious decision not to overspend during the boom

¹ Ng Chee Yuen, Sueo Sudo and Donald Crone, “The Strategic Dimension of the East Asian Developmental state,” *ASEAN Economic Bulletin*, Vol. 9, No. 2 (NOVEMBER 1992), pp. 219-233 <http://www.jstor.org/ccny-proxy1.lib.ccny.cuny.edu/stable/pdf/25770422?acceptTC=true>

² CIA Fact Book, accessed 03/21/2015 <https://www.cia.gov/library/publications/the-world-factbook/geos/et.html>

³ Ethiopian Constitution <http://www.ethiopia.gov.et/the-house-of-peoples-representatives>

years and only engage in extra spending based on future projections of revenue. It also avoided starting major projects that officials knew they could not finish and did not need to build or develop. The government similarly decided to save the surplus revenue and build up their foreign exchange in preparation for the eventual decrease in diamond revenue, which constitutes their major source of income.⁴

In Ethiopia, Prime Minister Zenawi understood that Ethiopia needed an activist state to design and implement an economic development plan. He resisted the neoliberal idea promoted by the International Monetary Fund, which emphasized a weak state with a dominant free market.⁵ He knew that having competent leaders and officials was critical to the success of their economic goals. He felt that “rent seeking and patronage within the ruling party posed the key dangers to this objective, and they needed to be thoroughly stamped out.”⁶ He also saw poverty as the main enemy that needed to be vanquished. To succeed, Ethiopia would need to prevent famine from recurring because famine has been the Achilles heel of Ethiopia for centuries. So far, the government has succeeded in preventing another famine since they came to power in 1991. Also, major investments in education, health care, and transportation have improved the life of Ethiopians. Table 5.1 shows the improvement achieved by the Ethiopian People's Revolutionary Democratic Front (EPRDF) in many categories since 1991.

⁴ Maria Sarraf and Moortaza Jiwaji, “Beating the Resource Curse: The Case of Botswana.” World Bank, Washington, DC (2001). © World Bank.
<https://openknowledge.worldbank.org/handle/10986/18304> License: CC BY 3.0 IGO.”

⁵ Iginio Gagliardone, “Meles Zenawi the Ideologue Has Left Ethiopia at a Dangerous Crossroads,” *The Guardian*
<http://www.theguardian.com/commentisfree/2012/aug/23/meles-zenawi-ideologue-ethiopia> accessed on April 18, 2015

⁶ Alex de Waal, “The Theory and Practice of Meles Zenawi,” *African Affairs*, Vol. 112, No. 446 (January 2013), pp. 152

In Ghana, Rawlings understood that the socialist economic model tried so far had not worked and something had to be done. Despite the fact that the majority of Ghanaians and some of his ardent supporters, students and unions, were against the structural adjustment program, Rawlings embarked on it. Two decisions made the SAPs under Rawlings succeed: first, the willingness of the IFIs to do everything possible to make the SAPs succeed in Ghana, so that other countries would be encouraged to adopt the SAPs. Second, Rawlings believed in the programs and made the necessary decisions and reforms to help them succeed. He hired capable and competent officials with appropriate knowledge and allowed them to develop economic plans. He used his ability to communicate to explain his policies and the sacrifice Ghanaians need to make for them to be successful. The government made agricultural and gold exploration the core of its development. Agriculture, especially cocoa production, “makes up around 20% of the country's GDP but, more importantly, provides employment for more than 60% of its total workforce.”⁷ The focus on increasing cocoa production, the constant flow of gold revenue (the second-largest producer in Africa⁸) and the recent discovery of oil contributed to the development of the Ghanaian economy.

⁷ “Gold, Cocoa and... Vegetables? Surprise Ingredient of Ghana's Growing Economy,” *Cnn* <http://www.cnn.com/2015/01/30/africa/ghana-economy-vegetables/> accessed april 19 2015

⁸ Ekow Dontoh, “Ghana gold output seen falling 500,000 ounces on halts” *Bloomberg Business*, April 28, 2014, accessed April 29, 2015. <http://www.bloomberg.com/news/articles/2014-04-28/ghana-gold-output-seen-falling-500-000-ounces-on-halts>

Table 5.1 achievement of the Ethiopian People's Revolutionary Democratic Front (EPRDF)

Category	1984	2013
Gross domestic product	\$7.9	\$46.9
GDP per capita	\$205	\$505.05
Trade export	\$2.7	\$12.2
Life expectancy in years (average male/female)	44.25	63
Infant mortality(death by 1000 live births	134.3	44.4

Source: World Bank Data from The Guardian (UK)

<http://www.theguardian.com/world/2014/oct/22/-sp-ethiopia-30-years-famine-human-rights>

Market Oriented Economy

Closed economies do not work. The Nyerere government in Tanzania and the Berg government in Ethiopia are proof of that. In the 1960s and 1970s, many African countries chose to nationalize their economies and keep foreign companies away. But Botswana did not join this bandwagon with the rest of African countries, but instead, used the leverage of threatening to close its economy and the De Beers goal to keep control of the diamond industry, to secure good economic terms with them. Botswana chose not to go it alone in exploring its diamond resources, as many African countries were doing with natural resources and instead, entered into a 50/50 joint venture with De Beers. That collaboration was a success and helped lay the foundation for Botswana's economic development. Through that collaboration, Botswana succeeded in increasing the country's share of diamond sales to De Beers from 3 percent in 1976 to 33 percent in

1994.

Also, as of 2015, Botswana owns 15 percent of De Beers Group and has succeeded in moving De Beers' rough diamond sales to Gaborone (Botswana's capital) from London.⁹ Diamond sales and revenues account for 80 percent of its export earnings and contribute to 30 percent of its GDP.¹⁰ Botswana has shown that it is possible to have a win-win situation with foreign multinationals, as long as the leaders and officials of that country put the development and the wellbeing of their population above their own.

As mentioned earlier, in Ethiopia, the Ethiopian People's Revolutionary Democratic Front (EPRDF) government liberalized the economy but did not follow the neoliberal idea of a weak state. Ethiopia's liberalization was characterized by a hybrid system of private and state companies. The government privatized some parts of the economy but left some under the control of the government. To control the development of the country, the government "postponed private land ownership and kept state control of the financial sector and telecoms."¹¹ In Ghana, Rawlings followed the IMF's neoliberal theory and privatized most of the state owned enterprises. On the agriculture front, they privatized many processing plants, removed subsidies and reduced the role played by the Ghana cocoa board in fixing the purchase price of cocoa and doing research on cocoa.¹² It did the same in the mining sector, especially in gold exploration,

⁹ John Campbell "De Beers Diamond Moves Sales Army from London to Botswana" *Council on Foreign Relations*, October 3, 2014 accessed 04/01/2015 <http://blogs.cfr.org/campbell/2014/10/03/de-beers-diamond-moves-sales-army-from-london-to-botswana/>

¹⁰ Bloomberg, De Beers' Move Its Rough Diamond from London to Gaborone, <http://www.bloomberg.com/news/videos/b/7430e4db-af29-4d54-89f1-87ff116fb0d1> accessed on April 3, 2015.

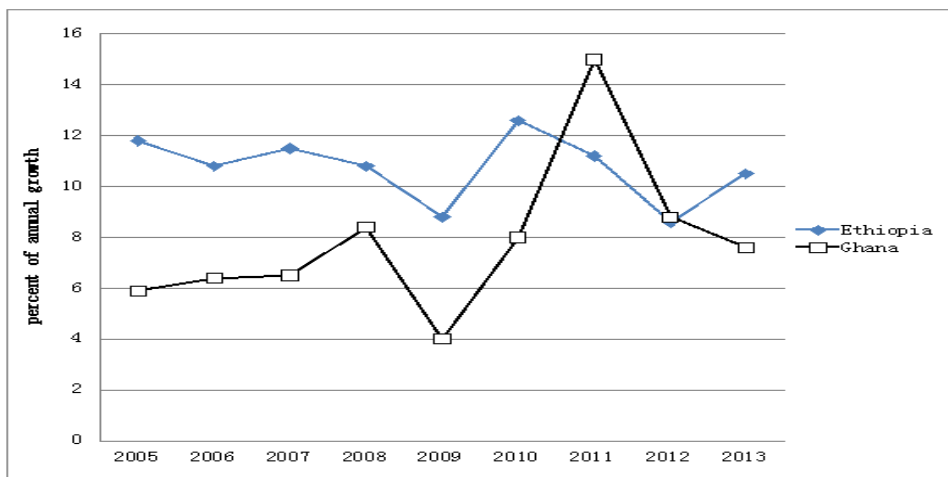
¹¹ De waal, 153.

¹² Ghana Cocoa Board Website https://cocobod.gh/Objectives_Functions_Board.php

by selling some of its stake to foreign multinationals.

It seems that in terms of annual GDP growth, Ethiopia is performing better than Ghana. According to World Bank data from 2005 to 2013, Ethiopia averaged 10.76 percent and Ghana averaged 7.82 percent of GDP annual growth. Table 5.2 shows the breakdown of GDP growth from 2005 to 2013 in both Ethiopia and Ghana.

Table 5.2: Breakdown of GDP growth from 2005 to 2013 in both Ethiopia and Ghana



Source: World Bank Data

<http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG/countries/ET-GH?display=graph>

Investment in Social and Economic Development

As mentioned earlier, the government of Botswana was able to control the amount they did and did not spend on grandiose projects which they knew they could not finish and would not yield benefits. By investing less than what revenues were, they protected themselves from downturns, like the 2008-2009 economic crisis, when the diamond industry contracted by 30 percent. They used the surplus money to keep their economy afloat until the crisis passed. Moreover, by not overspending during boom years, the

government did not need to sharply reduce spending during the bust time.¹³ They choose to invest in education, infrastructure, and health care. Botswana is praised for how it handled the AIDS epidemic that has ravaged many African countries and made Botswana home to one of the largest AIDS affected populations in the world. The government set up drug treatment programs for everyone in the nation. That policy has allowed the country to make significant gains against AIDS and it has reduced the transfer of HIV between mothers and babies from 40 percent to only 4 percent in 2012.¹⁴

For countries that have natural resources like gold, oil, bauxite, iron, and copper, Botswana's economic system is a blueprint to be followed to develop a country's economy based on its natural resources and to avoid the resource curse associated with it. Botswana has shown that natural resource rich countries could develop if they are able to balance the revenue they spend with how much they save for rainy days. Unlike Botswana, Angola has for example, built a new city "Kilamba" that remains almost empty.¹⁵ Spending on basic needs and building up a foreign reserve is something Botswana has done well.

But not all African countries have such abundant mineral resources and a small population like Botswana. Many African countries' economies are based on agriculture as demonstrated by Ghana under Rawlings. Agriculture production can be the first step in the development of a country if the state intervenes and provides needed inputs. The

¹³ Sarraj, 11-13.

¹⁴ Jason Beaubien, "Botswana's 'Stunning Achievement Against' AIDS" *NPR.org*, July 09 2012 accessed on 04/03/2015 <http://www.npr.org/2012/07/09/156375781/botswanas-stunning-achievement-against-aids>

¹⁵ Mamta Badkar, "Check Out The Massive Chinese-Built Ghost Town In The Middle Of Angola" *Bussinessinsider.com*, July 3 2012. Accessed 04/09/2015 <http://www.businessinsider.com/chinese-built-ghost-town-kilamba-angola-2012-7>

government can implement land reforms to help improve productivity and can invest heavily in agriculture by providing irrigation, pesticides, fertilizers, highly productive seeds, machinery and financial support, schools to teach new techniques to farmers, laboratories to do research, and infrastructure required to sustain agricultural input. The modernization of agriculture will spin out to other industries like food processing plants. Malaysia is an example of a country that used agriculture as a first step to its sustained development; Ghana did as well, although oil has since become a new focus.

Regionalism

No country is an island; neighboring countries' policies affect each other. African development cannot be achieved if African countries do not work together to find solutions to their problems. Botswana was able to avoid "the landlocked country with bad neighborhood" trap because of its integration into the Southern Africa Customs Union. SACU gave Botswana access to the sea with a good transportation network and contributed substantially to its economy. Other African countries can do the same, that is, work together to improve transportation and communication. It is still easier and even cheaper to communicate between any African country and the North than to communicate among African states. Economic development will require a joint collaboration with neighboring countries to combine resources for the benefit of all countries. There are fifteen landlocked countries in Africa. It would make sense for those countries to work with sea bordering countries to build needed infrastructures to facilitate the movement of goods and services and avoid the landlocked countries' trap.

Regional organizations, such as the African Union (AU) and, most importantly, the sub-regional organizations such as Economic Community of West African States

(ECOWAS), Economic Community of Central African States (ECCAS) and Southern African Development Community (SADC), can play a major role in linking countries and easing the movement of people, goods, and services. The European Union is a good example of what can be achieved when regional organization works. The Southern African Customs Union (SACU) is proof that a customs union can work in Africa and explains why Southern Africa is the most developed sub-region in the continent. Regional organizations are also good platforms to engage in solving common problems like security, climate, and economic development.

Foreign Assistance

The success of economic development policies does not only depend on African governments because of the globalization of the world economy. Foreign powers and their multinational corporations have a considerable influence on the outcomes of development programs in Africa. In East Asian countries and even in Botswana, foreign countries and their multinationals contribute to achieve the economic development goals set by these countries. The kind of programs put forward by both Washington and Beijing can be helpful to African economic plans. Both consensuses have an important role to play by opening up foreign markets to African products which, so far, has not been the case except for natural resources. Both China and the US promised to increase the number of African products allowed in their markets, but so far the results are dismal at best.

The African Growth and Opportunity Act (AGOA), which is a US program allowing certain African products into the US, has not helped the continent because of the exclusion of many agricultural products in which African countries have an advantage.

AGAO focuses instead on apparel exports. AGOA has not achieved the goal of increasing African manufacturing imports to the US. As noted on the US trade website, AGAO imports are predominantly petroleum products "[as of 2013] AGOA imports totaled \$ 26.8 billion, 23 percent less than the previous year, mainly due to a 27 percent decrease in petroleum product imports. Petroleum products continued to account for the largest portion of AGOA imports with an 82 percent share of overall AGOA imports....AGOA imports of agricultural products decreased by 13 percent..."¹⁶ The development of East Asian economies has been made possible because of the generous US policies toward them; the US and Europe can help Africa by increasing the imports of African products and goods, especially agricultural.

In the case of China, it is allowing almost all African products in duty free as long as the country has diplomatic relations with China. As stated at the fifth ministerial conference of the China-Africa Forum, "The Chinese side promised to further open its market to African countries, and decided to phase in, under the South-South cooperation framework, zero-tariff treatment to products under 97% of all tariff items from the Least Developed Countries in Africa having diplomatic relations with China."¹⁷ But still, African exports to China are dominated by natural resources, especially oil. African countries do have the opportunity to export agricultural products to China, especially rice. Since China imports two thirds of its rice consumption, "China, once a major rice

¹⁶ "AGOA US Trade with Sub-Saharan Africa, January-December 2013" <http://trade.gov/agoa/pdf/2013-US-sub-Saharan-Africa-trade.pdf>, accessed April 18, 2015.

¹⁷ The Fifth Ministerial Conference of the Forum on China-Africa Cooperation Beijing Action Plan (2013-2015) <http://www.focac.org/eng/ltada/dwjbzjjhys/hywj/t954620.htm>

exporter, is now one of the largest rice importers in the world.”¹⁸ China is the second largest rice importer after Nigeria.¹⁹

Economic development requires money to invest in sectors where the economy needs to thrive. Securing financial packages to help African countries succeed in their plan to develop their economies is critical. There are many ways to get financial help. Moyo, in her book, *Dead Aid*, highlighted some: “banking the unbankable, increasing savings, issuing bonds, attracting FDIs, remittances from expatriates, and borrowing from International Financial Institutions or Breton Woods Institutions”²⁰. All these are good ways to attract funds needed to invest in economic growth. The common way, however, has been developmental aid, also known as foreign aid.

As stated in Chapter 2, foreign aid has both proponents and opponents in its role in economic development. However, many agree that foreign aid has been misused by the predatory elites. Rwandan president Paul Kagame and the former Prime Minister of Ethiopia Meles Zenawi are hailed because of how effectively they invest the foreign aid they receive. In Rwanda, where foreign aid accounts for more than 40 percent of the budget,²¹ the government has efficiently used the aid to achieve economic growth and disprove some development theories. As stated in *The Economist*, “Landlocked, tiny in

¹⁸ Nathan Child Rice Outlook USDA Economic Research Service Situation and Outlook RCS-13e May 14, 2013

¹⁹ Sameer C Mohindru, “China no.2 Rice Importer for Third Year Running” *Wall Street Journal*, September 27 013 “<http://blogs.wsj.com/moneybeat/2013/09/27/china-to-be-no-2-rice-importer-for-third-year-running/>”

²⁰ Dambisa Moyo, *Dead Aid: Why Aid Is Not Working And How There Is A Better Way For Africa*. Vancouver : Douglas & McIntyre, 2009.

²¹ “The Pain of Suspension Will Rwanda’s Widely Praised Development Plans Now Be Stymied?” *The Economist* <http://www.economist.com/news/middle-east-and-africa/21569438-will-rwandas-widely-praised-development-plans-now-be-stymied-pain>

area, and more densely populated than any other country in sub-Saharan Africa, Rwanda has achieved what a leading British development expert, Paul Collier, calls the “hat-trick” of rapid growth, sharp poverty reduction and reduced inequality.”²² This is also true in Ethiopia, where Meles Zenawi succeeded in using foreign aid to help develop Ethiopia’s economy. Both leaders have used foreign aid wisely in the context of strong capable government and achieved more than many other governments in Africa in the last twenty years. Thus it is not improbable that foreign aid can be a useful tool. The need, however, is for good governors to manage that aid.

²² Ibid, p.3

Conclusion

In this thesis, I argue that for African countries to develop economically they will need indigenous input into their development planning. I used four countries, Tanzania, Botswana, Ethiopia and Ghana as case studies of economic development planning and assessed how successful they were. In Tanzania, economic development was a failure both under Ujamaa and the SAPs; in Botswana, they were successful in designing and implementing an economic plan; in both Ethiopia and Ghana, there were periods of both failure and economic success, but the last twenty years has been positive for both countries' economies. Assessing these case studies highlighted six steps that African countries wishing to develop need to consider. They will have to develop an inclusive political system; find visionary leaders and official to manage the economy; open markets to allow free trade and technology transfer; invest in social and economic infrastructure to develop human and commercial capital; encourage good regional integration to facilitate the movement of people and goods, and cultivate good relationships with foreign powers to bring in financing and technological knowledge.

Countries such as Botswana, Mauritius, and Cape Verde are examples of African countries that have been successful in formulating and implementing economic development plans based on their natural and human resources. It is also proof that African countries can develop their economies if the right reforms and policies are put in place. The notion that African countries are cursed with unending poverty is not accurate. Recent economic development in many African countries is a proof that the continent is capable of development. Also, with the rise of private enterprise, new sectors of economies that did not exist have been created, such as Nollywood (Nigerian movies but

now also include Ghanaian movies); M-pesa, a mobile-phone based money transfer and microfinancing system in Kenya and Tanzania²³; and N’Kalo, M-farm and the like, which are SMS based services that provide price information to farmers in Kenya, Ivory Coast and many other African countries.

African countries still face many challenges in their development, such as corruption, lack of skilled workers, poor communication infrastructure, and poor institutions, but with dedication and hard work such limitation have been overcomes. Recent economic development in Rwanda, Ethiopia, and Kenya is due to investments in both human and commercial capital.

As we know, economic development is multifaceted and to generate achievable policy strategies and develop goals with regards to formulating and implementing sound economic policies, there is need for more case studies at the specific country level. This would allow further assessment of local characteristics to take into account while designing an economic developmental plan.

Success in developing the continent’s economies would lift millions of people out of poverty and bring prosperity to the last poor region in the world. It would also make the world safer and save countless lives from disease, hunger and conflict. To achieve such goals would require conscious effort on the part of Africa and its leaders, and the help of the international community in providing technical and financial support while giving African countries the space to formulate their own economic plans.

²³ “Why Does Kenya Lead The World in Mobile Money?” *The Economist*, May 27 2013 accessed May 1, 2015 <http://www.economist.com/blogs/economist-explains/2013/05/economist-explains-18>

Cited sources

Adedeji, John L, "The legacy of J.J. Rawlings in Ghanaian Politics 1970-2000," *African Studies Quarterly*, Vol.5, Issue 2, summer 2001

"Africa's Impressive Growth," *The Economist*, June 2011, retrieved from http://www.economist.com/blogs/dailychart/2011/01/daily_chart, accessed, February 13, 2015.

"African democracy: A Glass Half-Full Representative Government is Still on the March in Africa, despite recent hiccup," *The Economist*, March, 31, 2012
<http://www.economist.com/node/21551494> accessed, mars 11, 2015.

"AGOA US Trade with Sub-Saharan Africa," January-December 2013
<http://trade.gov/agoa/pdf/2013-US-sub-Saharan-Africa-trade.pdf>, accessed, April 18, 2015.

Altenburg, Tilmann, "Industrial Policy in Ethiopia," *German Development Institute*, 2010. <http://www.die-gdi.de/discussion-paper/article/industrial-policy-in-ethiopia/>

Arne, Bigsten and Anders, Danielson "Is Tanzania an Emerging Economy? A report for the OECD Project 'Emerging Africa'," *OECD.org*
<http://www.oecd.org/countries/tanzania/2674918.pdf>

Badkar, Mamta "Check Out the Massive Chinese-Built Ghost Town In The Middle Of Angola," *Bussinessinsider.com*, July 3 2012.
<http://www.businessinsider.com/chinese-built-ghost-town-kilamba-angola-2012-7>
Accessed, April 09, 2015.

BBC news, history of Vladimir Lenin, [bbc.co.uk](http://www.bbc.co.uk)
http://www.bbc.co.uk/history/historic_figures/lenin_vladimir.shtml

Beaubien, Jason, "Botswana's 'Stunning Achievement Against' AIDS," *Npr.org*, July 09, 2012 <http://www.npr.org/2012/07/09/156375781/botswanas-stunning-achievement-against-aids> Accessed, April 03, 2015.

Bloomberg News, "De Beers' Move Its Rough Diamond from London to Gaborone,"
<http://www.bloomberg.com/news/videos/b/7430e4db-af29-4d54-89f1-87ff116fb0d1>, accessed on April 3, 2015.

Boisbouvier, Christopher, "50 Years Later, Françafrique is Alive and Well," *RFI*, February 16, 2010, <http://www.english.rfi.fr/africa/20100216-50-years-later-francafrigue-alive-and-well>

Bratton, Michael and Van De Walle, Nicolas, "Neopatrimonialism Regime and Political Transition in Africa," *World politics*, Vol.46, NO.4 (Jul., 1994), 453-489
<http://chenry.webhost.utexas.edu/core/course%20materials/brattonafrwp94/0.pdf>

Brenner, Robert, "The Origin of Capitalist Development: A Critique of Neo-Smithian Marxism," *New left Review*, 1977 pp. 1-68
<http://libcom.org/files/Brenner%20THE%20ORIGINS%20OF%20CAPITALIST%20DEVELOPMENT%20-%20A%20CRITIQUE%20OF%20NEO-SMITHIAN%20MARXISM.pdf>

Campbell, John, "De Beers Diamond Moves Sales Army from London to Botswana," *Council on Foreign Relations*, October 3, 2014
<http://blogs.cfr.org/campbell/2014/10/03/de-beers-diamond-moves-sales-army-from-London-to-Botswana/>, accessed, April 01, 2015.

Child, Nathan, "Rice Outlook USDA Economic Research Service Situation and Outlook RCS- 13e," United States department of Agriculture, May 14, 2013
<http://www.ers.usda.gov/publications/rcs-rice-outlook/rcs-13e.aspx>, accessed, Mars 5, 2015.

Chloe, Eshetu Chloe and Manyazewal, Makomen, "The Macroeconomic Performance of The Ethiopian Economy 1974-90," *The Ethiopian Economy: Structure and Policy Issues*
http://www.eeacon.org/sites/default/files/publications/Eshetu%20and%20Makonnen_The%20Macroeconomic%20Performance%20of%20the%20Ethiopian%20Economy.pdf

CIA fact book, <https://www.cia.gov/library/publications/the-world-factbook/geos/et.html>
accessed, Mars 21, 2015

Collier, Paul, *The Bottom Billion: Why the Poorest Countries are failing and what Can Be Done About It*, (Oxford University Press, 2007).

Dambisa Moyo, *Dead Aid: Why Aid Is Not Working And How There Is A Better Way For Africa* (Vancouver: Douglas & McIntyre, 2009).

Danielson, Anders, "Prospects for Private Sector-Led Growth in Tanzania," *Africa Spectrum*, Vol. 35, No. 3 (2000), pp. 313-337 Published by: Institute of African Affairs at GIGA, Hamburg/Germany

David Smith, "Grace Mugabe's Super-Speedy PhD Raises Eyebrows Around the World," *The Guardian* <http://www.theguardian.com/world/shortcuts/2014/sep/15/grace-mugabe-phd-award-first-lady-Zimbabwe-university>, accessed, Mars 03, 2015.

De la Baume, Mai, "A French Shift on Africa Strips a Dictator's Son of His Treasures," *NY times*, August 24 2012, http://www.nytimes.com/2012/08/24/world/europe/for-obiangs-son-high-life-in-paris-is-over.html?_r=0, accessed, Mars 03, 2015.

De Waal, Alex, "The Theory and Practice of Meles Zenawi," *African Affairs*, Vol. 112, No. 446 January 2013

"Diaspora Remittances Must Open the Door to Financial Inclusion," the World Bank <http://www.worldbank.org/en/news/feature/2013/10/10/diaspora-remittances-must-open-the-door-to-financial-inclusion>.

Dontoh, Ekow, "Ghana gold output seen falling 500,000 ounces on halts" *Bloomberg Business*, April 28, 2014,. <http://www.bloomberg.com/news/articles/2014-04-28/ghana-gold-output-seen-falling-500-000-ounces-on-halts> accessed April 29, 2015

Dunning, Thad, "Resource Dependence, Economic Performance, and Political Stability," *The Journal of Conflict Resolution*, Vol. 49, No. 4, Paradigm in Distress? Primary Commodities and Civil War (Aug., 2005), pp. 451-482.

Edigheji, Omano, "The African State and Socio-Economic Development: An Institutional Perspective," *African Journal of Political Science / Revue Africaine de Science Politique*, Vol. 9, No.1 (June 2004), pp. 84-103

Esseks, John D, "Political Independence and Economic Decolonization: The Case of Ghana under Nkrumah," *The Western Political Quarterly*, Vol. 24, No. 1 (Mar., 1971), pp. 59- 64.

"Ethiopian Constitution", <http://www.ethiopia.gov.et/the-house-of-peoples-representatives> accessed, mars 17, 2015.

"Ethiopia Election: EPRDF Wins Every Seat in Parliament," *BBC news* accessed 7/31/15 <http://www.bbc.com/news/world-africa-33228207>

Gagliardone, Iginio, "Meles Zenawi, The Ideologue Has Left Ethiopia at a Dangerous Crossroads," *The Guardian*, August 23, 2012 <http://www.theguardian.com/commentisfree/2012/aug/23/meles-zenawi-ideologue-ethiopia>, accessed on April 18, 2015.

Gattamorta, Maria Egizia, "The Evolution of Development Strategies for Africa: From the Lagos Plan of Action to the Report of the Commission for Africa," *CEMISS Quarterly*, 2005.

Geda, Alemayehu, "The Political Economy of Growth in Ethiopia," Addis Ababa University http://www.alemayehu.com/AA%20Recent%20Publication/Growth_CambChap_Sept2006.pdf

"Ghana Cocoa Board" website https://cocobod.gh/Objectives_Functions_Board.php

- “Gold, Cocoa and... Vegetables? Surprise Ingredient of Ghana's Growing Economy”, *CNN* <http://www.cnn.com/2015/01/30/africa/ghana-economy-vegetables/>, accessed April 19, 2015.
- Gordon, David, "Sustaining Economic Reform Under Political Liberalization in Africa: Issues and Implications," *World Development*, vol.24, No. 9, pp.1527-1528, 1996.
- Greenberg, James, "A Political Ecology of Structural-Adjustment Policies: The Case of the Dominican Republic," *Culture & Agriculture* Volume 19, Issue 3, pages 86–87, September 1997.
- Harvey, Charles, and Lewis, Stephen R, Jr., *Policy Choice and Development Performance in 43 Botswana*, (London, Macmillan, 1990).
- Huwart, Francois, “We Must Fight Poverty, and Terrorism, with Both Trade and Aid,” *European Affairs*. Washington, DC, Spring 2002
- Ibhawoh, Bonny and Dibua, J I, "Deconstructing Ujamaa: The Legacy of Julius Nyerere in the Quest for Social and Economic Development in Africa,” *African Journal of Political Science / Revue Africaine de Science Politique*, Vol. 8, No. 1 (June 2003), pp. 59-83
- Ighobor, Kingsley, “Africa’s Youth: a “Ticking Time Bomb” or an Opportunity?” UN African renewal online, May 2013
<http://www.un.org/africarenewal/magazine/may-2013/africa%E2%80%99s-youth-%E2%80%9Cticking-time-bomb%E2%80%9D-or-opportunity#sthash.SPcrO1jU.dpuf>, accessed April 18, 2015.
- Jossep, Bob, “Liberalism, Neoliberalism, and Urban Governance: a State- Theoretical Perspective,” *Antipode* Volume 34, Issue 3, pages 452–472, July 2002
http://eprints.lancs.ac.uk/173/2/E-2002a_antipode.pdf?origin=publication_detail
- Kpodo, Kwasi, “IMF Board Approves \$918 Million Assistance Deal with Ghana,” *Reuters*, April, 04 2015 <http://in.reuters.com/article/2015/04/03/ghana-imf-idINKBN0MU1I820150403> accessed April 18, 2015.
- Krugman, Paul, “How Did Economists Get it So Wrong?” *Nytimes*, June 09, 2009
http://www.nytimes.com/2009/09/06/magazine/06Economic-t.html?pagewanted=all&_r=0 accessed, November 26, 2014.

- Kumar, Gopalakrishna, "Ethiopian Famines 1973-1985: a Case Study," *World Institute of Development economics Research of United Nations University*, Oxford, November 1987 http://www.wider.unu.edu/publications/working-papers/previous/en_GB/wp-26/
- Li, Wei and Yang, Dennis Tao, "The Great Leap Forward: Anatomy of a Central Planning Disaster," *Journal of Political Economy*, Vol.113, No.4, pp.840-877, August 2005
- Mai, Ludwig H, "Erhard's Social Market Economy," *The Southwestern Social Science Quarterly*, Vol. 44, No. 4 (MARCH 1964), pp. 329-334
- Mark, Monica, "Ghana's Plea to IMF a Sad Recognition of the Perils of Prosperity," *The Guardian* <http://www.theguardian.com/global-development/2014/aug/08/ghana-imf-oil-inflation-currency> accessed Mars 21, 2015.
- Miauni, Nobuhiro and Okazawa, Ryosuke, "Colonial Experience and Post-Colonial Under Development in Africa," *Public Choice*, Vol.141, 3/4 (Dec., 2009), pp. 405-419.
- Mistry, Percy S, "Africa's Record on Regional Co-operation and Integration," *African Affairs*, Vol. 99, No. 39, October7, 2000.
- Mohammed, Abdul, and De Waal, Alex, "Meles Zenawi and Ethiopia's Grand Experiment," *NY times*, August 23, 2012, http://www.nytimes.com/2012/08/23/opinion/meles-zenawi-and-ethiopias-grand-experiment.html?action=click&module=Search®ion=searchResults&mabReward=relbias%3As&url=http%3A%2F%2Fquery.nytimes.com%2Fsearch%2Fsiteearch%2F%23%2Fmeles%2520zenawi%2F&_r=0 accessed, Mars 21, 2015.
- Mohindru, Sameer C, "China no.2 Rice Importer for Third Year Running," *Wall Street Journal*, September 27, 2013, <http://blogs.wsj.com/moneybeat/2013/09/27/china-to-be-no-2-rice-importer-for-third-year-running/>, accessed, Mars 5, 2015.
- Nega, Berhanu and Schneider, Geoff, " Things Fall Apart: Dictatorships, Development, and Democracy in Africa" *Journal of Economic Issues*, Vol.XLVI No.2 June 2012.
- Noel, Alain, "The New Global Politics of Poverty" *Global Social Policy*, December 2006, 312.
- Nzongola-Ntalaja, George, "Patrice Lumumba: The Most Important Assassination of the 20th Century," *The Guardian*, January 17, 2011, <http://www.theguardian.com/global-development/poverty-matters/2011/jan/17/patrice-lumumba-50th-anniversary-assassination>, accessed, February 13, 2015.

- Price, Robert M, "Neo-Colonialism and Ghana's Economic Decline: A Critical Assessment," *Canadian Journal of African Studies / Revue Canadienne des Études Africaines*, Vol. 18, No. 1 (1984), pp. 163-193
- Read, Donna M. Y and Parton, Kevin A, "Economic Deregulation and Trade Liberalization in Kenya, Tanzania and Uganda: Growth and Poverty," *Journal of Economic Issues*, Vol. 43, No. 3 (SEPTEMBER 2009), pp. 567-586
- Reyntjens, Filip, "Rwanda: Genocide and Beyond," *Journal of refugee studies*, Vol.9, No.3, 1996.
- Rodrik, David, "Trade Policy and Economic Performance in Sub-Saharan Africa," *Harvard University*, <https://www.sss.ias.edu/files/pdfs/Rodrik/Research/trade-policy-economic-performance-africa.PDF>
- Sachs, Jeffrey, *The End of Poverty*, (Penguin Press, 2005).
- Sachs, Jeffrey, "The End of Poverty, Soon" *New York Times*, September 24, 2013
http://www.nytimes.com/2013/09/25/opinion/the-end-of-poverty-soon.html?_r=0
- Sarraf, Maria and Jiwanji, Moortaza, "Beating the Resource Curse: The Case of Botswana," World Bank, Washington, DC (2001). © World Bank.
<https://openknowledge.worldbank.org/handle/10986/18304> License: CC BY 3.0 IGO
- Settles, Joshua Dwayne, "The Impact of Colonization on African Economic Development," *University of Tennessee honor thesis project*, 1-3 (1996),
http://trace.tennessee.edu/cgi/viewcontent.cgi?article=1182&context=utk_chanho_noproj
- Smith, Adam, *Wealth of Nations*, edited by C. J. Bullock. Vol. X. (The Harvard Classics. New York: P.F. Collier & Son, 1909–14); Bartleby.com, 2001.
www.bartleby.com/10/.
- "Tanzania: Arusha Declaration," 1967 <http://www.fordham.edu/halsall/mod/1967-arusha.html>
- "The Fifth Ministerial Conference of the Forum on China-Africa Cooperation Beijing Action Plan (2013-2015)
<http://www.focac.org/eng/ltada/dwjbzjjhys/hywj/t954620.htm> accessed, Mars 30, 2015.
- "The Pain of Suspension Will Rwanda's Widely Praised Development Plans Now Be Stymied?" *The Economist*, <http://www.economist.com/news/middle-east-and-africa/21569438-will-rwandas-widely-praised-development-plans-now-be-stymied-pain> accessed, mars 7, 2015.

- The United Nations' Millennium Development Goals 2014
report <http://www.un.org/millenniumgoals/2014%20MDG%20report/MDG%202014%20English%20web.pdf>
- Traub, James, "The African Century: The Unlucky Continent Finally Seems to be on a Real Path to Growth, But is Democracy Essential to Sustain Africa's Rise?" *Foreign Policy*, Mars 29, 2013, http://www.foreignpolicy.com/articles/2013/03/29/the_african_century_growth_democracy_governance, accessed, Mars 03, 2015.
- "Ujamaa-the Basic of African Socialism (February 2015)" <http://www.columbia.edu/itc/history/mann/w3005/ujamaa.html>
- UN Report Addressing Sustainable Development
http://www.un.org/wcm/webdav/site/climatechange/shared/gsp/docs/GSP1-6_Background%20on%20Sustainable%20Devt.pdf, accessed April 18, 2015.
- United Nations Environment Programme, *Report of the World Commission on Environment and Development: Our Common Future document A/42/427 (1987)*, available from <http://www.un-documents.net/our-common-future.pdf>
- Velasco, Andres, "Dependency Theory a Generation Later," *Harvard.edu*, October 2002 http://www.cid.harvard.edu/cidinthenews/articles/FP_11-1202.pdf
- "Why Does Kenya Lead The World in Mobile Money?" *The Economist*, May 27 2013 accessed May 1, 2015 <http://www.economist.com/blogs/economist-explains/2013/05/economist-explains-18>
- World Atlas Website <http://www.worldatlas.com/webimage/countrys/af.htm>
- World Bank data <http://data.worldbank.org/income-level/HPC> accessed, Mars 4, 2015.
- World Bank data website on poverty
<http://povertydata.worldbank.org/poverty/region/SSA>
- Yuen, Ng Chee; Sudo, Suedo and Crone, Donald, "The Strategic Dimension of the East Asian Developmental state," *ASEAN Economic Bulletin*. Vol. 9, No. 2, November 1992.