



Africa’s Developmental Impasse: Some Perspectives and Recommendations

Demba Moussa Dembele*

Abstract

Africa is among the “poorest” regions of the world. The reality is that Africa is not poor but rather impoverished. This impoverishment dates back to the dawn of capitalism when slavery was one of the key elements of capitalism’s “original accumulation”, as demonstrated par Karl Marx in *The Capital*.

Colonial administration replaced slavery as from the 19th Century with the occupation of Africa by Western powers. This has led to a systematic looting of its natural resources and the exploitation of its cheap labour which served to industrialise Western countries.

Thus, slavery and colonisation constituted the main causes of Africa’s impoverishment. With its accession to independence from the 1960s, one may have thought that looting Africa would have come to an end and its development stepped up. It was the contrary that occurred because in many countries, foreign domination had been reinforced in connivance with the new African leaders.

The failure of the neo-colonial management of African countries was illustrated by the external debt crisis which started from the end of the 1970s and led to the World Bank and IMF’s intervention. These institutions forced upon African countries the notoriously sad adjustment programmes which contributed to worsening the crisis in their economies, taking poverty to an unprecedented level.

The international financial crisis that occurred in 2008 illustrated the failure of market fundamentalism of which adjustment programmes are the forerunners. This crisis which has shaken the very bases of the capitalistic system affords African leaders and thinkers the opportunity to break loose of the neoliberal yoke and explore a development path that is more in tune with Africa. The author underscores that such a path should be non-capitalistic because the heavy toll that Africa has paid since the birth of capitalism until now is a proof that the capitalistic development model is bound to fail.

* ARCADE, Dakar, Senegal. Email: dembuss@hotmail.com

Socialism is the most appropriate development option because it can reconcile economic efficiency, wealth redistribution, social justice and democracy.

Résumé

Le continent africain fait partie des régions les plus « pauvres » du monde. La réalité est que l'Afrique n'est pas pauvre mais appauvrie. Cet appauvrissement remonte à l'aube du capitalisme quand l'esclavage fut un des principaux éléments de « l'accumulation primitive » du capitalisme, comme l'a montré Karl Marx dans *Le Capital*.

La colonisation se substitua à l'esclavage à partir du 19^e siècle avec l'occupation du continent par les puissances occidentales. Elle entraîna un pillage systématique des ressources naturelles et l'exploitation de la main d'œuvre à bon marché au service de l'industrialisation des pays occidentaux.

Ainsi donc, l'esclavage et la colonisation constituent-ils les sources principales de l'appauvrissement de l'Afrique. On aurait pu penser que les indépendances à partir des années 1960 mettraient fin au pillage de l'Afrique et la propulseraient sur la voie du développement. Au contraire, dans beaucoup de pays la domination étrangère avait été renforcée avec la complicité des nouveaux dirigeants africains.

L'échec de la gestion néocoloniale des pays africains fut illustré par la crise de la dette extérieure à partir de la fin des années 1970 qui entraîna l'intervention de la Banque mondiale et du FMI. Ces institutions imposèrent les programmes d'ajustement de triste mémoire qui ont contribué à aggraver la crise des économies africaines engendrant ainsi un niveau de pauvreté sans précédent.

La crise financière internationale qui a éclaté en 2008 a illustré la faillite du fondamentalisme de marché dont les programmes d'ajustement sont les précurseurs. Cette crise qui a remis en cause les fondements mêmes du système capitaliste offre une occasion aux dirigeants et penseurs africains de sortir du carcan néolibéral et d'explorer une voie de développement qui soit propre à l'Afrique. L'auteur souligne que cette voie doit être non capitaliste car le lourd tribut que l'Afrique a payé depuis la naissance du capitalisme jusqu'à nos jours montre que la voie capitaliste de développement est vouée à l'échec.

Le socialisme est l'alternative de développement la plus appropriée parce qu'il peut allier efficacité économique, redistribution des richesses, justice sociale et démocratie.

Introduction

According to the United Nations Conference on Trade and Development (UNCTAD, 2010), there are 33 African countries classified as Least Developed Countries (LDCs).¹ These countries are characterised by economic

vulnerability, weak human development, and low income. This, to a large extent, explains why many African countries are at the bottom of the Human Development Index (HDI 2011) developed by the United Nations Development Programme (UNDP).

It is a fact that Africa remains a continent that is developmentally in arrears despite its great amount of resources – minerals, petroleum, arable land, agricultural resources, maritime resources, etc. – and formidable human potential, especially vibrant youth eager to contribute to building a prosperous continent. The present situation is such that, despite its great wealth potential, there is much discontent among the masses on the African continent. In this paper, I propose to analyse the present weak economic performance of Africa, and then make recommendations as to how the present impasse could be overcome. At present, Africa is victim to its recent historical past and to a set of forces both exogenous and endogenous arrayed against it.

Sources of Africa's Economic Underdevelopment

Africa is not poor, as the mainstream discourse tends to stress *ad nauseam*. It has been impoverished through centuries of slavery and colonization. In his monumental work, *Capital*, Marx has shown the heavy price paid by Africa to what he calls the 'primitive accumulation' of capital in the early days of capitalist accumulation (Marx 1977: 915). With the huge amount of economic surpluses garnered from the Atlantic Trade, investments were made in new technologies that increased capitalist productivity. Thus, commercial capitalism eventually gave way to industrial capitalism. But the cost to Africa was the cruel exploitation of African labour. With the falling off of the demand for captive labour and the increased need for raw materials for the quickly developing engine of industrial capitalism, the global colonization of resource-rich lands became the new project for European economic and military powers. Hence the scramble for Africa that culminated with the Berlin Conference of 1885 that divided up Africa.

When formal independence was granted to African countries in the 1960s, hopes were high that with independence, the long period of economic exploitation would come to an end, and Africa would then be on the path towards economic growth and development. Socialism as a model of development was popular in those days, with the Soviet Union, China and Cuba serving as possible models. This was the basis for the socialist experiments in places like Ghana under President Kwame Nkrumah and Tanzania under President Julius Nyerere.

But the withdrawal of the European powers was only strategic. They left behind minefields of problems that were set during colonial times. One of

these problems was the unbalanced treatment of Africa's ethnic groups. Another was the birth of new classes that were nurtured on the shallow materialism encouraged by capitalist production. Frantz Fanon (1963) noted in his *Wretched of the Earth* that the pitfalls of independence included the birth of greedy comprador classes narrowly founded on the dubious principle of ethnicity that threatened to derail the independence project. Well, they have succeeded so far.

A major reason for Africa's meagre economic progress is that most African countries are run indirectly from the West by way of the willing complicity of Africa's comprador bourgeois classes who facilitate the looting of the continent's resources by Western and other multinationals in exchange for paybacks that are used up mainly in consumption. In this context, the loans contracted by African governments at high interest rates were mainly used for consumption at the expense of investment that would boost economic growth and development. This led to the external crisis of the 1970s that gave way to the intervention of the International Monetary Fund (IMF) and World Bank that imposed the punishing Structural Adjustment Programmes (SAPs) of the 1980s, all tailor-made for an entrapped continent.

The prescient Fanon, in his *The Wretched of the Earth* (1963), candidly summed up the situation of the new comprador bourgeoisie domination of the nation in the context of a centre-periphery dependency relation between the neo-colonial powers and their ex-colonies. This situation is at the source of the individualistic rent-seeking and corruption that quickly engulfed Africa's new neo-colonial nations. This tenuous situation was held firmly in place by the new armies and police trained to protect the interests of the new bourgeoisie and its metropolitan patrons. This local military power was often reinforced by the ex-colonising power maintaining troops in the new nation. This has been standard practice of France with several of its erstwhile colonies until this very day. On the above topic, Fanon (1963:172) writes:

In these poor underdeveloped countries, where the rule is that the greatest wealth is surrounded by the greatest poverty, the army and the police constitute the pillars of the regime; an army and a police force (another rule which must not be forgotten) which are advised by foreign experts. The strength of the police force and the power of the army are proportionate to the stagnation in which the rest of the nation is sunk. By dint of yearly loans, concessions are snatched up by foreigners; scandals are numerous, ministers grow rich, their wives doll themselves up, the members of parliament feather their nests and there is not a single soul down to the simple policeman or the customs officer who does not join in the great process of corruption....The opposition becomes more aggressive and the people catch on to its propaganda. From now on their hostility to the bourgeoisie is plainly visible.

Colonization and the Capitalist Division of Labour

The colonization of African countries by European powers in the 19th century sealed the fate of the continent for centuries to come. In addition to the plunder of its resources, its citizens were transformed into cheap labour for colonial companies. The capitalist division of labour, which made Africa a provider of raw materials for industrialized countries, has persisted until today with more than two-thirds of Africa's exports comprising raw materials and semi-processed goods (UNCTAD 2003). This pattern of development has contributed to the continent's impoverishment. It has accentuated African countries' external dependence and led to the debt crisis of the late 1970s and early 1980s, which opened the door to the intervention of the International Monetary Fund (IMF) and the World Bank.

The Perennial Commodity Dependence

It was thought that the independence of the 1960s would spell the end of the commodity dependence model and bring significant economic and social changes for the benefit of the African people. But in most countries, the economic structures and institutions inherited from colonisation were kept intact and the relationships with former colonial powers remained unchanged. As a result, there was little economic transformation that could have improved the lives of Africa's citizens (ECA 2011). The lack of economic transformation means tremendous losses of wealth and employment opportunities for millions of Africans, especially for the young people.

Commodity dependence is one of the main reasons for the economic vulnerability of African countries to external shocks. First, the exports of many countries depend on a few commodities. This dependence is measured by the export concentration index, which increased by 80 per cent between 1995 and 2006 as a result of trade liberalisation imposed by the International Monetary Fund (IMF) and the World Bank (UNCTAD 2008). Second, commodity dependence also means a high degree of dependence on external markets, as measured by the export-to-gross domestic product (GDP) ratio, which doubled from 26 per cent in 1995 to 51 per cent in 2007. For the group of least developed countries, the ratio more than doubled, rising from 17 per cent to 45 per cent over the same period.²

The economic vulnerability to external shocks played an important role in the debt crisis of the 1970s and 1980s, which again led to the intervention of the International Monetary Fund (IMF) and the World Bank.

The Costs of IMF and World Bank Intervention

This intervention led to the imposition of the now discredited Structural Adjustment Programmes (SAPs), which aggravated the economic and social crisis of African countries. Trade liberalisation has been one of the main features of the international financial institutions (IFIs) prescriptions. It was founded on the assumption that African countries' economies were too inward-looking and laden with protectionist measures, especially for state-owned companies. This explains, as the interventionist argument goes, their lack of competitiveness and the accumulation of deficits that increased the burden on public finances and led to the public debt crisis.

As a way of correction, the IFIs imposed sweeping trade liberalisation based on an export-oriented model, which was reinforced in the mid-1990s when the World Trade Organisation (WTO) was set up. One of the main goals of trade liberalisation was to boost exports in order to gain the foreign exchange needed to repay the external debt. This explains why priority was given to cash crops at the expense of food production for local consumption. As a result, food production continued to fall resulting in rising external food dependence.

One of the features of trade liberalisation was the removal of protection for the domestic industry. This has had devastating effects on African domestic industries, most of which collapsed under unfair competition from heavily subsidised products from OECD (Organisation for Economic Cooperation and Development) countries. As a result, unemployment reached unprecedented levels, contributing to the spread of poverty on a massive scale.

Indeed, the costs of trade policies imposed by the IFIs have been staggering. According to Christian Aid (2005), African countries lost more than 270 billion dollars over two decades of structural adjustment. To illustrate these losses by concrete examples, the report pointed out that a country like Ghana had lost some 10 billion dollars over a 15-year period. This loss was equivalent to a work stoppage by the whole country for 18 months.

Trade liberalisation goes hand-in-hand with financial liberalisation, which exacerbated capital flight and tax evasions, instead of 'attracting' more capital flows in the form of foreign direct investments. Several sources have documented the staggering amount of capital flight since the 1970s. One study indicates that the level of capital flight from Africa had been underestimated. It said that cumulative capital flight over the 1970-2004 period for a group of 40 African countries amounted to 420 billion dollars at 2004 prices. The study added that if one takes into account accumulated interest on this figure, the cumulative capital flight would amount to a huge

607 billion dollars. This figure was 400 billion dollars higher than these countries' outstanding debt at the end of 2004 (Boyce and Ndikumana 2008).

A study on LDCs commissioned by the UNDP and released during the UN Fourth Conference on LDCs in Istanbul in May 2011, indicates a staggering capital flight from the 'poorest' countries in the world. It shows that between 1990 and 2008 the 48 'poorest' countries lost nearly 200 billion dollars. African countries accounted for about 70 per cent of those outflows.³ Mispricing is the leading factor behind capital flight, accounting for 65 to 70 per cent of all illicit outflows. This is another reason why trade liberalization has been devastating for African countries.

One of the objectives of financial liberalisation is to help African countries attract foreign direct investments (FDIs). To achieve this goal, African countries were advised to provide tax holidays, enact special laws to protect private property, to push for labour market 'flexibility', that is, the possibility for private investors to lay off workers at will, in the name of competitiveness, lower wages, and social standards.

But tax holidays tend to exacerbate capital shortage in African countries. A report by the Tax Justice Network Africa (TJNA)⁴ indicates that for the past 25 years, tax revenues in most African countries have not even achieved the low target of 15 per cent of GDP, compared to developed countries' average of 35 per cent. The report places the blame mostly on the incapacity of African governments to enforce tax collection and on the tax avoidance schemes by foreign investors.

Social and Political Costs of Structural Adjustment

The combined effects of trade and financial liberalisation have been the spread of poverty in many African countries. The Poverty Reduction Strategy Papers (PRSPs) are a recognition of the disastrous impact of these policies. UNCTAD indicates that in African LDCs, 60 per cent of the population live on less than 1.25 dollars a day, while 88 per cent live on less than 2 dollars a day (UNCTAD 2010). The economic impact of this is sheer strangulation for the vast majority of Africa's citizens given that a large proportion of the items consumed in Africa are imported from the West and Asia.

Overall, the economic and social costs of structural adjustment policies (SAPs) are staggering. These policies are responsible for the explosion of poverty, social dislocation, increased gender and social discrimination, weaker states, and so forth (Dembele 2004). As a result, the international financial institutions (IFIs) have now only one agenda for Africa: 'poverty reduction'. The word 'development' has been banned from their vocabulary. The celebration of 'high' growth rates is accompanied by a steady deterioration in human development indicators, illustrated by high levels of unemployment, declining

incomes, poor educational and health systems, deterioration of public services as a result of lower public investments, and privatisation imposed by the IFIs.

At the political level, vicious attacks against state-led development, the dismantling of the public sector, budget austerity, and civil service downsizing have combined to weaken or even destroy several states. The so-called 'failed states' are a direct outcome of discredited neoliberal policies imposed on African countries for more than three decades.

As a result, democratic institutions have been marginalised in policy formulation and implementation. Democracy has lost its meaning and politics has lost credibility. This explains to a large extent why elections have become an empty shell and a formal exercise for professional politicians who make false promises on economic and social issues they are unable to deliver, due to conditionalities imposed by IFIs. But the comprador national bourgeoisies are comfortable with this unfortunate situation for the reasons that Fanon so tellingly gave: '*Its innermost vocation seems to be to keep in the running and to be part of the racket*' (Fanon 1963:150).

Toward A Non-Capitalist Development

All of the above demonstrates that genuine autonomous development for Africa is not possible within the existing neo-colonial capitalist system. The experience of the last 50 years supports this claim. The current crisis of global capitalism and the exacerbation of contradictions between the global South that seeks its own emancipation, and the imperialist Triad,⁵ determined to preserve its monopolies and hegemony through the militarisation of the planet, make it more difficult and even illusory for African countries to contemplate development within the existing capitalist system (Amin 2010).

Therefore, ending Africa's impoverishment and improving the lives of its citizens requires breaking with the dominant paradigm whose main pillars are now being challenged by even some of its erstwhile leading proponents.⁶ This is a reflection of the crisis of legitimacy of global capitalism, 'a crisis of civilization', because it is putting into question all the values promoted by capitalism, such as, democracy, politics, human rights, freedom, and so forth.

So, it is time now for Africa to free itself from the influence of neoliberal thinking and the shackles of the International Monetary Fund (IMF) and World Bank. It is time for African countries to take decisive steps toward an alternative development by moving away from the commodity dependence model and the vicious circle of the international division of labour inherited from colonization.

An interesting work was initiated in this regard in Southern Africa a few years ago (Kanyenze et al 2006). Initiated by the leading trade unions in that region, with the collaboration of leading thinkers and activists, the 'Alternatives to Neoliberalism in Southern Africa' (ANSA) aims to challenge the mainstream

discourse on development and propose an alternative development framework in Southern Africa. ANSA is an important contribution to the struggle to promote a new discourse on development in Africa, away from the failed and discredited neoliberal paradigm. The proposals below are another contribution to that struggle, which aims to reclaim Africa's sovereignty over its own development.

Reverse Discredited Neoliberal Policies

One of the important steps in that regard is to challenge and reject the failed policies advocated by the IFIs. Thus African countries should restore capital controls and reverse liberalization of their capital accounts, two policies that opened the door to speculative capital flows, tax evasion, and increased capital flight. Several recent reports support capital controls as a policy tool to mitigate the impact of external shocks and strengthen sovereignty over macroeconomic policies. Even the IMF has now acknowledged the usefulness of capital controls under certain circumstances (Ostry et al. 2010).

Another step toward reversing neoliberal policies is to end trade liberalisation as an instrument of the export-led growth model and restore protection for strategic sectors and companies, especially food producers in domestic markets. In the name of 'free trade' and 'comparative advantage' African countries were forced to accept sweeping trade liberalisation that has been very costly in economic and social terms. As shown in previous chapters, trade liberalization has increased Africa's external dependence, destroyed domestic industries and accelerated deindustrialisation. While African countries were requested to accept at face value the virtues of 'free trade', OECD countries were providing huge agricultural subsidies and erecting disguised and open protectionist policies to the detriment of African exports.

Still in the name of 'comparative advantage', African countries were forced to give priority to cash crops at the expense of food production. The food crisis and Africa's great dependence on food imports illustrate once again that the IFIs have successfully cajoled African countries into adopting policies that are detrimental to their fundamental interests. After aggravating Africa's food dependence following the liberalisation of the agricultural sector, the IMF and World Bank are now offering loans to African countries to purchase food from Western countries. As a result, there is increased debt burden and food dependence for many African countries.

The vicious attacks against the state by the same institutions have translated into the destruction of the public sector through the privatisation of state-owned enterprises in the name of 'private sector development' and 'efficiency'. In several countries, there were even 'ministries of privatisation'

whose main mission was to sell off some of the most profitable public assets with little positive returns for their countries. In fact, privatisation translated into massive job losses and social exclusion. It can be easily argued that there is evident correlation between the aggravation of poverty and the growing foreign control of public assets.

Thus, privatisation can be seen as a form of robbery of the national patrimony –including strategic sectors – through the transfer to foreign control of assets built up throughout years of sacrifices by the people. Therefore, reversing privatisation is necessary in order to restore people's sovereignty over their resources. It is time for African countries to put back into public and collective hands the control of key sectors and natural resources. No genuine development is possible without control of a nation's wealth.

So Africa should learn from the lessons given by developed countries, including the United States, during the financial crisis. They have been nationalising banks and financial institutions in order to save them from collapse. But more importantly, African countries should learn from the examples of other Southern countries, like those of South America, where governments are now taking control of assets and natural resources that were sold off to foreign companies. The defense of public and collective ownership is an important component of the struggle against the neoliberal ideology.

Build Developmental and Democratic States

Reversing privatisation and defending public ownership can be possible only with an active intervention of the state. Proponents of such intervention have been vindicated by the high economic and social costs of *laissez-faire* policies and the resurgence of state intervention in developed countries. In Africa, there is a strong correlation between state retrenchment, poverty and social exclusion. The national security of a country requires a strong and active state. In fragile nations, state intervention is indispensable to the process of nation-building.

African social movements have said that the policy of 'minimal state' advocated by the IFIs was a heresy. Now, some institutions seem to have come to the same conclusion, as illustrated by the 2011 ECA report stressing the indispensable role of the State in economic transformation. In fact, experiences from Asia and Latin America show that the economic and social progress achieved in those regions was made possible by the existence of an active state, often referred to as the developmental state. African countries need to build such states that would combine economic efficiency, social progress, and democracy.

Promote Industrialisation and Domestic-led Growth

One of the pillars of economic transformation is industrialisation. As indicated earlier, one of the main sources of Africa's impoverishment is its commodity dependence and the low level of economic transformation. So, the critical challenge for Africa is to shift to a different development model, with industrialisation as one of its key components. Africa must transform domestically its raw materials and commodities for two main reasons. First, this would add value and create wealth that would remain on the continent. Second, transforming raw materials domestically would increase job opportunities for Africans, especially for the young people whose high unemployment rate is one of the main sources of social and political unrest.

However, a credible industrialisation strategy should be envisaged at the regional level. Indeed, past experiences have demonstrated that industrialisation within small countries has little chance of succeeding. Small domestic markets were one of the main factors behind the failure of the import-substitution strategies of the 1960s and 1970s. It is even more difficult now to imagine a successful industrialisation at the national level, except for a very few countries.

Economic transformation would create the right conditions for a viable domestic market, which would make it possible to shift to a domestic demand-led growth strategy as opposed to the export-led growth strategy advocated by the international financial institutions and which has accentuated Africa's commodity dependence.

Mobilising Resources for its Development

Reclaiming its sovereign right to design its own policies goes with efforts to raise resources internally and shoulder a greater part of the resources needed to finance its development. The AfDB Report (2008) rightly claims that *'The continent needs to boost domestic resource mobilization - through financial and fiscal instruments- to support growth and investment. Addressing these issues require strategic interventions at various levels'*.

Financing Africa's development has been one of the most intractable issues since independence. The excessive influence of the IFIs, the dependence on external 'aid' and the external debt crisis are all inked to the inability of African countries to mobilise resources for their development. Structural adjustment programmes have reinforced African countries' dependence on external financing, both on public and private sources. But the financial crisis has accentuated the crisis of external aid as illustrated by the downward trend of 'official development assistance' (ODA). Indeed, real resource transfer from official development assistance had been declining owing to a number of factors, including the gap between commitments and actual

delivery, the inclusion of 'debt relief' and emergency assistance in the nominal figures announced by 'donors'.

Even the commitment made in July 2005 in Gleneagles with much fanfare to double 'aid' to Africa by 2010 has not been fulfilled. According to the Development Assistance Committee (DAC), the 2005 pledge to bring aid levels to \$48 billion in 2010 fell short by \$21 billion.⁷

In addition, the external debt crisis has had the effect of drying up official lending from traditional lenders. This prompted IFIs to recommend resorting to private capital in the form of foreign direct investments (FDIs). But as indicated in previous chapters, this comes with a high price, by forcing African countries to engage in a race to the bottom by accepting low wages and social standards for their citizens, by providing tax holidays and low income tax rates for corporations, all of which tend to aggravate capital shortage.

So the African experience shows that dependence on external financing is a dead end. After more than half a century, African countries must come to grips with the reality that they should first and foremost count on their own resources to finance their own development. This means that they should pay more attention to measures aimed at mobilising more effectively domestic resources through progressive fiscal and monetary policies. This is among the key recommendations made by the UN Conference on Financing for Development (FfD), held in Mexico in 2002.

To achieve this goal, the role of the state is indispensable. UNCTAD and other institutions have urged African countries to build developmental states. In its report, UNCTAD insists on the need to reorganise African states in order to make them genuine instruments of development, by helping African governments improve tax collection, formalize the informal sector; stop capital flight, make more productive use of remittances from African expatriates, and adopt effective measures to repatriate resources held abroad (UNCTAD 2007).

Improving domestic resource mobilisation implies imposing capital controls to limit tax evasions and capital flight, limiting tax exemptions for corporations and shutting down tax loopholes to limit the siphoning of domestic savings, and enforcing more effectively income taxation on foreign investors. According to a study by Christian Aid (2005), potential losses for lack of enforcement are estimated at \$160 billion a year. In addition, African LDCs should shut down all the loopholes through which resources are siphoned off. More resources should be raised on corporate income and higher taxation should be applied to high-income groups. By contrast, the scope of indirect taxes, like value-added tax (VAT), which penalize low-income groups, should be restricted in order to limit its negative impact.

Another important instrument for a greater domestic resource mobilization for long-term investments is the restoration of development banks which had been eliminated by the reforms introduced by structural adjustment programmes. Likewise, the creation of regional currencies may be an important instrument for a greater resource mobilisation as they contribute to preventing domestic savings from moving abroad. They also provide a greater autonomy in the formulation and implementation of economic policies.

Still, in trying to mobilise more resources for their development, African countries should demand compensations from Western financial institutions for their complicity in tax evasion and capital flight.

Moreover, Africa must fight for the repatriation of stolen wealth kept in Western banks. The struggle for the repatriation of stolen wealth has gained momentum at the international level and in Africa. In 2007, an initiative for the stolen assets recovery (STAR) was launched by the World Bank and the United Nations. Its mission is to prevent the laundering of products from illicit activities and accelerate the restitution of stolen assets. But so far, its action has had a limited impact.

In Africa, the African Union Commission and the AfDB have now joined civil society organisations in calling for the repatriation of stolen wealth. In 2005, the Commission for Africa, put together by then British Prime Minister Tony Blair, issued a report exposing the complicity of the Western financial system in the illicit transfer of wealth from Africa to Western countries. The Commission estimated that wealth at more than half of the continent's external debt. Therefore, African countries should seek justice by demanding that Western governments and financial institutions cooperate with them in their efforts to retrieve that wealth for their development.

Strengthening South-South Cooperation

South-South cooperation has become a growing source of financing for African and other developing countries. Already, a great number of African countries are turning more and more to leading countries from the South, like China, India, Brazil, Iran, Venezuela, etc, for loans and direct investments. According to figures published by Chinese sources, trade between Africa and China was estimated at \$120 billion for the first eleven months of 2011.

South-South foreign direct investments (FDIs) accounted for 14 per cent of all FDIs in 2008 while South-South trade accounted for 16.4 per cent of the 14 trillion dollars of world trade in 2007. South-South trade rose from \$600 billion in 1995 to \$3.14 trillion in 2008. An increasing part of South-South trade is in manufactured goods. In development finance, more than two-thirds of loans made by other Southern countries are on a concessional basis.⁸

In its 2010 report on the Least Developed Countries (LDCs), UNCTAD has indicated that emerging southern economies are now the major export markets for LDCs, absorbing more than half of their exports. Since 1996, more than half of LDCs' imports come from the South. In 2007-2008 it was 62 per cent of their imports. Between 1990/1991 and 2007/2008, 66 per cent of the growth expansion in LDCs' external trade was due to countries from the South. South-South relations provide greater opportunities for geographical diversification of trade, investments, financial flows and technology transfer (UNCTAD 2010).

From the above, one can see that South-South cooperation has become a major feature of international economic and financial relations and can play an important role in the paradigm shift. Indeed, closer South-South relations could be an important component of the strategy aimed at challenging the dominant paradigm.

Developing closer economic and financial ties with the rest of the South will help Africa strengthen the policy space it needs to weaken the influence of 'traditional partners', including the international financial institutions.

Exploring Innovative Sources of Financing

African countries should strongly support initiatives aimed at exploring innovative sources of financing for development. Among these sources is the Tobin tax or international currency transaction tax (ICTT). The exploration of 'innovative sources of finance' is explicitly mentioned in the Monterrey Consensus on financing for development and was highlighted in the '2007 Report of the UN Secretary-General on the follow-up to, and implementation of, the outcome of the International Conference on Financing for Development (FfD).

The importance attached to this issue has led the UN Secretary-General to create the new role of *Special Representative on Innovative Finance*, appointing former French Minister of Foreign Affairs, Philippe Douste-Blazy, to the position. Examples of *innovative instruments* include nationally-collected and internationally-disbursed aviation levies, such as those financing UNITAID (United Nations International Taxation for Aid), as well as a range of well-researched initiatives to derive revenue from sectors including off-shore centres, luxury goods, extractive industries, and banking. Various *financial transaction levies*, for example, including stocks, bonds and currency are simple and inexpensive to implement due to the electronic automation of these markets, and would yield billions of dollars annually. According to the United Nations University report published in October 2007, levies on currency transactions alone have the potential of raising \$33 billion annually.

Guarantee of Free Access to Basic Social Services for Citizens

One of the reasons why privatisation should be reversed and the State should play an active role is to uphold the right of all citizens, especially for the poor, to free access to basic social services. Under international law, states are required to respect, protect and fulfil human rights as a matter of priority in their public and economic policies. This is why over the last few years, several institutions and civil society organisations have increasingly promoted the need to respond to the multiple crises (food, economic, financial, etc.) from a rights-based approach in order to protect vulnerable groups and prevent the imposition of harsh policies, similar to SAPs. They argue that international instruments promoting economic, social and cultural rights should be evoked to protect people's basic rights, such as right to clean water, safe food, health, education, and so forth (*Better Aid* 2010).

The rights-based approach has gained more credibility and international attention after the United Nations adopted in July 2010 a Resolution, with the support of 122 countries, including several Western countries, stating that access to safe drinking water and sanitation should be considered as a '*human right that is essential for the full enjoyment of life and all human rights*'.⁹

Socialism as Alternative

The political dimension of the paradigm shift is a real democratisation of African societies, with the building of truly democratic institutions and the rise of an enlightened and democratic leadership capable to implement policies that reflect the fundamental aspirations of the African people. Sovereignty over development policies means the restitution to the African people of the right to participate in the formulation of economic development policies that affect their lives.

In that regard, African social movements have an important role to play in the design and implementation of public policies. Over the last two decades or so, African social movements, including research institutions, have become among the main actors on all issues relating to Africa's development, both in the African context and at the international level. They have made significant contributions in several areas involving economic and social policies, and democracy and human rights. .

Therefore, labour unions, peasant organisations, women's associations, youth organisations, grassroots associations as well as non-governmental organisations (NGOs) should be taken seriously as interlocutors in the debate on the continent's development, including on democracy and human rights. All of this is to be situated within the context of socialism which is, in my opinion, a system that can combine economic efficiency, social progress, individual

and collective freedom, and democracy. The goal is that the African people democratically control and manage their productive enterprises for maximum welfare for all. Democratically managed economic surpluses will be used for the betterment of all lives in education, health and general welfare. What all this means is that there can be no socialism without genuine democracy for workers and all others. This, of course, is anathema to hegemonic neoliberal capitalism in all its dimensions. The way forward is for the people of Africa to wrest control of their governments from the hands of those politicians and governments that mock democracy as abject servants of international capital for which they receive only crumbs and their people nothing. This zero-sum game for the benefit of the West that fuels Africa's discontent must be reversed.

Conclusion

Africa's dismal economic situation and perennial social and political instability are inextricably linked to its impoverishment since the dawn of capitalism. Africa has paid a heavy price to western industrialisation. Since independence, African countries have experienced a host of models and strategies, most of which were inspired from abroad, the latest being the neoliberal model. All these models, within the capitalist system, have only contributed to a further impoverishment of African countries.

Despite the high costs of their policies and the growing defiance to them across the continent, the international financial institutions are still trying to retain their influence on Africa's development. The latest example is the World Bank's 'new strategy' for Africa (WB 2011). African leaders and policy makers should not be distracted by this 'strategy' that has nothing 'new' but is a recycling and repackaging of old and failed policies that led African countries to the current economic and social impasse.¹⁰

Now that the capitalist system is in deep crisis and being challenged even in its birthplace, African governments and policy makers should make bold and courageous moves to reclaim their countries' sovereignty over their development. Recovering the control over its own resources, exercising fully its right to development; trusting its own peoples, these are some of the steps toward building a prosperous, democratic and stable Africa.

Given the heavy price paid by Africa and its people for the birth and development of capitalism, it is argued that a prosperous and democratic Africa cannot be envisaged within the capitalist system. Therefore, the above policies should be understood as a transition to an autonomous development outside the capitalist system. In our opinion, the ultimate goal of that transition

should be socialism, because it is a system that can reconcile economic efficiency, protection of the environment, social justice, democracy, freedom and the defence of human dignity.

Notes

1. The number of African LDCs is now 34 following the birth of South Sudan in July 2011.
2. Figures given at UNCTAD's Public Symposium on 'The Global Economic Crisis and Development-The Way Forward', Geneva, 18 & 19 May 2009.
3. See, 'Illicit Financial Flows from the Least Developed Nations; 1990-2008', in *Global Financial Integrity*, Global Financial Integrity.
4. 'Tax Us If You Can – Why Africa Should Stand up for Tax Justice'.
5. A word coined by Samir Amin, which is composed of the United States, Europe and Japan. The instruments of the imperialist triad include the US Armed Forces, the NATO Alliance, the international financial institutions (IFM & World Bank), the WTO and the Western mainstream media.
6. See, in particular World Bank's President, Robert Zoellick, speech at Georgetown University (Washington, DC) in September 2010, titled 'Democratizing Development Economics'.
7. *Eurodad*, 'Missing the targets: EU aid falls short of promises', Statement published on February 17, 2010. See www.eurodad.org.
8. UN-LDC IV, *Harnessing the Positive Contribution of South-South Cooperation for Least Developed Countries' Development*. Background Paper, New Delhi (India), 18-19 February 2011.
9. United Nations, 'Draft Resolution', July 2010.
10. The World Bank has always tried to regain some credibility with African policy makers and leaders whenever it feels that its policies are being challenged or rejected in Africa. One remembers the Berg Report in 1981 titled 'Accelerated Development in Sub-Saharan Africa: An Agenda for Action' following the publication of the Lagos Plan of Action (LPA) in 1980 by the ECA and the Organization of African Unity (OAU). Then, when the same ECA published the Alternative Framework to Structural Adjustment Programmes in 1989, which exposed the disastrous effects of SAPs, the World Bank came up that same year with another report titled 'Sub-Saharan Africa: From the Crisis to Sustainable Growth. A Long Term Study'. All these examples show that the World Bank is determined to preserve its influence on Africa's development and prevent autonomous thinking on the part of African economic planners. It is up to the latter to meet the challenge and tell this institution what it really is: an instrument of a failed and discredited paradigm in the service of global capitalism.

Bibliography

- AfDB, Ministerial Conference on the Financial Crisis. *Briefing Note 1: The Current Financial Crisis: Impact on African Economies*, Tunis (Tunisia), 12 November 2008.
- Amin, Samir, 2010, *Ending the Crisis of Capitalism or Ending Capitalism?*, Cape Town: Pambazuka Press.
- Better Aid*, 'Development Effectiveness, Development Cooperation: A Rights-based Perspective', *BetterAid Newsletter*, October 2010. www.betteraid.org.
- Boyce, James K. and Ndikumana, Léonce, 2008, *New Estimates of Capital Flight from Sub-Saharan African Countries: Linkages with External Borrowing and Policy Option*, PERI, University of Massachusetts, Amherst, April.
- Christian Aid, 'Death and Taxes: The True Toll of Tax Dodging', London, A Christian Aid Briefing Paper.
- Christian Aid, 2005, 'The Economics of Failure: The Real Costs of "Free" for Poor Countries', A Christian Aid Briefing Paper, London, June.
- Dembele, Demba Moussa, 2009, 'The International Financial Crisis: Lessons and Responses from Africa', *Pambazuka News*, March 19.
- Dembele, Demba Moussa, 2004, 'The IMF and World Bank in Africa: A Disastrous Record', *Pambazuka News*, October.
- ECA, 2011, *Economic Report on Africa 2011, Governing Development in Africa—the Role of the State in Economic Transformation*, Addis Ababa, Ethiopia.
- Fanon, Frantz, 1963, *The Wretched of the Earth*, New York: Grove Press.
- Kanyenze, Godfrey et al, 2006, *ANSA, The Search for Sustainable Human Development in Southern Africa*, December.
- Marx, Karl, 1977, *Capital*, Vol. I, New York: Vintage.
- Ostry, Jonathan D. et al, 2010, *Capital Inflows: The Role of Controls*, Washington, D C, IMF Research Department, February 19.
- UNCTAD, 2010, *The Least Developed Countries Report 2010: Towards a New International Development Architecture for LDCs*, New York and Geneva.
- UNCTAD, 2008, *Economic Development in Africa, Export Performance Following Trade Liberalization: Some Patterns and policy Perspectives*, New York and Geneva.
- UNCTAD, 2007, *Economic Development in Africa, Reclaiming the Policy Space: Domestic Resource Mobilization and Developmental States*, New York and Geneva.
- World Bank, 2011, *Africa's Future and the World Bank Support to It*, Washington, DC: World Bank, March.