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African Development: Promise and Peril

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My topic today is Africa and African development. I'm here today to tell you that, in fact, there is a lot of promise in Africa, especially in terms of international economic development. But there is also peril in Africa, and that has the potential to derail some of the positive developments that have been going on for the last five, six, or seven years.

In the United States, we simply don't hear very much about the positive developments in Africa. What we see in the news, what we see in the print media, what we see in the broadcast media are typically the bad news stories: the stories about what's going on in Sudan, the stories about people, women, their families being displaced, having to move to refugee camps. Or we hear about problems of fighting in Somalia, which looks very complicated, very confused. Or we hear about the terrible, very serious economic problems in Zimbabwe where the president of Zimbabwe is literally running the country and his people into the ground. More recently, we've been hearing a little bit about the post-election violence in Kenya.

It's not surprising that we don't know a lot of the positive stories that are coming out of Africa when this is what we hear about. If this is our perspective—the perspective that we get from the media, that things are bad in Africa, that things are hopeless, that Africans are helpless, that it's a place full of confusion and conflict—it wouldn't be surprising for us, then, to wonder: What sort of relationship should we have with Africa? What sort of relationship should we as individuals, we as a nation have with African countries?

Talking Points

- Africa's future lies in the entrepreneurial spirit. More and more young Africans are being entrepreneurial, and that is how Africa will move forward in the 21st century.
- What do they need? They need for their leaders to fix governance problems; they need a better rule of law; they need other strong institutions like secure property rights; they need more and more expansive economic freedom.
- We can play a role by constantly recognizing the importance of institutional improvement in Africa. But we can also be engaged by supporting creative entrepreneurial efforts and buying products that Africans are increasingly making for export. There is much promise in Africa, and over the next 10 or 20 years, growing numbers of African entrepreneurs will provide us with interesting, exciting, dynamic products.

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How can we be engaged with Africa, whether as individuals, through our charitable giving or through other works, or through the political process? Why should we bother giving aid if what we see in Africa are scenes like this? Will the aid really work? Will it really help people? Will it really get to the people who need it?

Limitations of Official Development Assistance

What we know now from decades of official development assistance on the ground in Africa is that, sadly, all too often official aid doesn't work very well, and there are a variety of reasons why our traditional approach to giving aid to people in Africa and other parts of the world has not led to the kind of results that people intended. People had all the best intentions when aid efforts got underway, but what we know is that much aid money over the course of the years has gone to do things like support authoritarian leaders who have been able to stay in power despite the protests of their citizens because they've been propped up by aid money.

Or we know that aid has provided a source of revenue that people can use for corruption purposes. If there's a pile of money sitting in a national treasury in Africa, it's almost begging people to engage in corrupt activities to get access to that aid money. Or we know that simply through inefficiencies and other sorts of ill-conceived plans, the aid money doesn't lead to the kind of outcomes that we would have liked. For over 50 years, billions of dollars have been transferred from the Western developed world to Africa, and we still see that despite some good progress, Africa is the poorest continent on the face of the Earth. It's tended to have negative economic growth rates over the past 30 years; many people are still illiterate; there are still serious problems with health; there are still serious problems with dealing with disease in Africa.

We would have thought that, having spent the money that has been spent, we would have seen better outcomes, but unfortunately we haven't. This doesn't mean, though, that there isn't a role for aid. There will always be a role for humanitarian aid, for aid that's going to help people in the midst of a crisis. So this poor woman in Sudan could use some humanitarian help in terms of getting the food

that she needs, but whether this humanitarian aid should be funneled through private or public channels is a different question.

What we know about official development assistance is that it hasn't worked to jumpstart the problem of poverty. Despite what Jeffrey Sachs says, and despite the fact that Jeffrey Sachs is a very smart, very well-respected economist, it is not the case that more money is going to solve the problem of poverty in Africa or elsewhere. Money will not end poverty by itself.

Nor has the money that we've spent done a whole lot in terms of supporting the development of democratic governance institutions throughout Africa. A lot of the aid money that's been funneled to Africa over the past several decades has been specifically targeted at promoting good governance, improving democracy and democratic structures in African countries, but often we see the sort of discouraging pictures like the pictures of demonstrations from this past week in Kenya. So I'd like to take a moment and talk about some of the problems that surround the topic of governance in Africa and why just having a vote isn't enough to get economic growth started in places like Africa, but also in other developing countries.

Problems of Governance

Probably many of you have been following what's going on in Kenya, but for those who haven't, let me give you a very quick overview of the situation. The Kenyans held presidential elections on December 27. As the election returns were coming in, it seemed as though the opposition party, the Orange Democratic movement led by a man named Raila Odinga, was going to win the election. He had a substantial lead, as it turned out, going into the evening hours. Overnight, the election results seemed to flip so that the current president, whose name is Mwai Kibaki, during the course of the evening hours suddenly seemed to get a margin of victory so that he was declared the president very hastily in the capital in Nairobi.

So it looks as though what happened in Kenya was that election results were rigged. It looks as though there was bad action on both sides, both the current government engaged in election rigging and stuffing the ballot box, but possibly the other side as

well. The result was that the Kenyans were outraged, and there have been continuing demonstrations since the election results were reported.

This is discouraging because Kenya has been seen as one of the most stable countries in East Africa and has very good economic growth over the last several years. There was a strong hope that finally the Kenyans would engage in a strong democratic election process and that power could, in fact, be transferred in a peaceable manner from one party to another party.

Often, when we hear about problems in Africa, the problems are couched in ethnic terms. It's not the case that there are no ethnic problems in Africa. I want to be the first to say that ethnic conflict is a reality in many places in Africa. It's surprising to Americans when you travel to Africa to hear people still identify themselves as being of a particular tribe or not; it's just a different mindset from what we're used to. Fifty years ago, we would have identified ourselves, many of us, as German-Americans or Irish-Americans; in Africa, people will still identify themselves as Kikuyu or Luo, or of some different ethnic background.

So the sense of ethnic identity is still very real in Africa, but is the problem in Kenya today and in other places all about ethnicity? Is it all about ethnic groups not liking each other, just for some almost mystical reason hating each other and being willing to engage in costly violence as a result of that?

What I would say is no. That's an easy way for us to understand something that looks complicated, but that's not digging a little bit more deeply underneath the surface of what's going on, and what's going on in Kenya is that for decades, one particular ethnic group has had control of the government and control of handing out the benefits that flow from being in control of the government.

In Kenya, one of the major groups, called the Kikuyu, has had control of the presidency, has had the ability to hand out jobs, has had the ability to direct infrastructure projects, has had the ability to support schools in different parts of the country to the exclusion of all the other ethnic groups, and this causes people to be deeply unhappy with the current state of governance. The recent election would have replaced a Kikuyu president with a Luo president—someone from a different ethnic group.

Would this have solved the problem of governance in Kenya, to have had this peaceful democratic transfer? Maybe not. It would have been a good step in that direction, but it wouldn't have solved the whole problem because the underlying problem is really how do you structure a political system so that one group can't take advantage of that system and benefit its particular supporters—whether they're ethnic or non-ethnic supporters—at the expense of everyone else?

In other words, how do you switch politics in Africa from being what economists would call a zero-sum game to being a positive-sum game where all citizens are going to benefit from the actions that the government is undertaking? That's a real challenge, and that's what's proven to be very difficult in Africa and, frankly, in other developing countries around the world. Because when people do get political power, they do use it; they use that political power to promote and protect their supporters at the expense of other people.

I want to read to you something from some friends of mine in Kenya and share with you what young Kenyans are feeling. This is from a friend named James Shikwati, who runs a free-market think tank in Kenya. James wants us to think about what are the lessons of the Kenya crisis. Hundreds of people have been killed because of this particular governance problem. And he says, "I am an angry Kenyan. I'm angry at myself and my countrymen for putting too much faith in good people. We all watch, listen, and read in disbelief when our media channels parade government officials who talk about things going back to normal."

For James, things aren't going back to normal. There were demonstrations over the last two days; yesterday, the European Union suspended all of its aid payments to Kenya until the problem is resolved, and I just heard from my colleague Dan Sacks that this morning that the Kenyan Human Rights Commission denounced the elections as being fraudulent. James Shikwati goes on to say, "What are the lessons that we can learn from this problem? First lesson: the essence of law and constitution should be to tame human actions and human instincts." And in this, he thinks his constitution has failed.

Kenya has a serious rule of law issue, and the rule of law issue is related to placing excessive amounts of power in the hands of the executive branch—not decentralizing power, not having sufficient checks and balances. If the executive branch can do pretty much as it wishes once it's in charge, it's not surprising that there will be abuses of power, which is what we see in Kenya. And some of these abuses of power take the form of favoring one particular ethnic group over another particular ethnic group, which only raises tensions in the country.

But what I want to say is that things aren't all bad in Kenya. Even though this is the picture that we see this week, I wish you could have seen the picture of what Kenya looked like a year ago, because it was a very different picture. There are reasons to be encouraged about Kenya, and there are reasons to be encouraged about much of Africa.

- Kenya recently passed Vision 2030, which is a strategic plan the Kibaki government created to move Kenya forward to become a middle-income country by the year 2030. This would be a dramatic change, and it looked as though the government was on track to accomplish at least parts of this goal.
- There have been very good economic growth rates in Kenya over the last seven years. Kenyan economic growth rates have been averaging about 5 percent for a number of years now. That's a lot better than some of the countries in Latin America.
- There have been some changes in the regulatory environment to make it easier to do business in Kenya. Last year, Kenya was cited as one of the top 10 reformers in the World Bank's *Doing Business* report, along with Ghana, another country that's seen some really positive changes over the last several years.
- Kenya's debt burden—the burden it has to assume in order to pay back loans to the Western world—is lower than it has been, which means the government should have more money to do things like improve education or improve health care delivery for the citizens.
- In addition, there has been expanding trade in the area. The countries in East and Southern Africa are increasingly engaging in profitable

trading relationships with each other—not just with Europe, but with other African countries.

These are all reasons to feel positive and to feel that there's a good future for many of the people who are young now in Africa. But the kind of problems that we see on the screen are discouraging to us, and they really challenge us to think. Why hasn't Kenya gotten beyond this? What's going wrong in Kenya?

The Number One Problem: Rule of Law

The thing that has gone wrong, that really needs strong attention throughout all of Africa, is the rule of law. I go to Africa fairly frequently now, and people will say, "What's the number one problem that you see when you go to Africa?" By far, the number one problem is that there is not the kind of rule of law that we are used to in this country.

What does that mean? It means the law is not applied equally to everybody; it means that the court system is not impartial; it means that judges and lawyers know that they can use bribes and money to accomplish the end that they want to accomplish, to get a particular result in a legal case. This is a huge problem, and I'm sorry to say we don't have a really good idea about how to fix this problem.

The American Bar Association has devoted millions of dollars to creating and exporting rule of law projects around the world, and it hasn't really taken, for whatever reason. It's a difficult problem because the people who are in charge don't necessarily want a rule of law. If you are in charge and you're working a corrupt system, it's to your benefit to have the corruption continue. You are going to benefit in the short term. Your citizens are going to be harmed in the long term. Your country is going to suffer in the long term.

This is the major problem, whether it's in Kenya or in other parts of Africa. How do you solve the rule of law problem?

Building Economic Freedom and Sound Institutions

Also, how do you build other strong supporting institutions so that the economy can grow, so that people can flourish, so that children have a brighter

future? What are some of those other institutions that are needed throughout Africa and the developing world? It's things like having secure rights to property; it's things like being able to bring a contract to a court that you trust if there's a dispute in a contract; it's things like having a free media, having a press that's able to criticize what's going on among the officials in a particular country. In too many African countries, these things just don't exist, or they're slowly, slowly, slowly developing.

I guess my lesson from time we've spent on Kenya is the following: Don't think that just because a country has democracy it is then therefore magically on the road to economic development. Just having a vote in a bad institutional environment is not going to lead you to good outcomes, either in terms of economics or in terms of human flourishing. It takes more than a vote. A vote may be a necessary, but it's not a sufficient condition for human development.

In Heritage's 2008 *Index of Economic Freedom* that was released this week, you can see that the distribution of economic freedom in sub-Saharan Africa is not very good. What do Africans need in order to have a future where people can really flourish? What they need is economic freedom and sound institutions. This is where the majority of African countries are located. You can see 25 countries listed in the category that Heritage calls "mostly unfree." A small group of countries have moved into that middle range in terms of economic freedom, but you can see there are no countries in Africa that are ranked in the top of the economic freedom charts—not even in the second quintile in terms of economic freedom.

This is the challenge that African leaders face for the next several decades: How do you move more of those countries in this quintile up to the top end of the chart? Some countries are trying. For example, Mauritius, a country that we visited just over a year ago, had wonderful development. It had moved from 32nd in terms of economic freedom up to a ranking of number 18 in the world.

I remember when I was in Mauritius just over a year ago, I had the pleasure of meeting with the deputy prime minister, who is also the finance minister, Minister Sithnane, who told me when I walked into his office that he wanted to talk about how Mauritius

was going to be in the top 10 in doing business. His goal was to move that country forward and get it to a place where it would be seen as a competitive, business-friendly, private sector-friendly country during his term. And he's really making great strides toward that, which is an amazing thing.

Twenty-eight countries in Africa had improvements in their growth rates in 2006 as compared to their growth rates in 2005, so there is economic growth in Africa. For the second year, African growth rates were actually higher than growth rates in Latin America. Two years isn't much, but think about it: For Africa, that's big news, and probably none of us have really heard that news.

African inflation rates have been low over the last 10 years; the average inflation rate in Africa is 10 percent now. Not 10 percent in places like Zimbabwe, where it's likely to be over 8,000 percent this year or even higher, but 10 percent inflation rates in Africa are really a dramatic shift in terms of macroeconomic policies. And there's less conflict. We may not have a sense of that because we often see the conflict, but in fact, there's less conflict in Africa now than there was 10 years ago.

I saw just this morning that the Southern African Development Community (SADC) countries—14 countries who are in a trading bloc in southern Africa—announced that as of August they will be a free trade bloc. That's a wonderful development for the people of Africa. They will benefit from having access to the talents, the creative abilities of other Africans in Southern Africa.

African Success Stories

I also want to talk about some of the success stories that I've seen. First I'd like to show you what the growth rates look like. I just think this is astonishing, and we don't know this. Our growth rate in the U.S. is nowhere near this high, although we've had consistent growth for a long period of time. You can see that growth rates are really surprisingly high everywhere but in Central Africa, where there has been conflict recently.

Namibia. What I think might be the most encouraging success story in Africa today is the story about how Namibia has devolved property rights to manage wildlife from the central government to the

local peoples in Namibia and how this legal change, this change to the legal environment, is helping the poor rural people in Namibia. The government did this 10 years ago through legislation, gave local people, many of whom haven't even been to high school, the rights to manage the very valuable wildlife in their rural areas.

Now local people form conservancies, voluntary groups; they take care of the wildlife in their area. It could be rare desert rhino; it could be rare desert elephant; it could be desert lion; it could be kudu, a variety of wildlife in Namibia. Having this change to the legal environment has made a dramatic difference in Namibia. Not only are wildlife numbers up substantially—elephant herds, for example, have doubled in Namibia over the last 10 years—but local people are making money doing this.

The main benefit of having a conservancy is that you can attract tourists to Namibia—which, by the way, is the most beautiful place I have ever seen. We can go to Namibia; we can look at those desert elephants; we can spend our tourist dollars there; and the local people are directly benefiting from that. In fact, on this chart you can see how much benefits have risen, and these benefits are going directly to local conservancies in Namibia.

It might seem like a small change, but it's a change that's had a dramatic effect, giving local people more freedom, giving them more scope to be entrepreneurial, giving them the incentives to care for their resources. You might think that these people who haven't gone to high school really couldn't care for these valuable natural resources, and you would be wrong. Even though they don't have Ph.D.s in biology, even though they don't work for the Fish and Wildlife Service, they are doing a remarkable thing in Namibia. They are transforming their country, their landscape, into one of the great wonders of Southern Africa.

Rwanda. Another positive example of what's going on in Africa is the growth of the specialty coffee industry in Rwanda. This is an industry that did not exist in Rwanda seven years ago; it started getting off its feet in 1999 and really started to get going in 2000. This is an industry that is transforming people's lives in Rwanda. What happened? The government, the post-genocide government, came in and liberalized trade in coffee. What does that

mean? It means the government said to people, "You don't have to sell your coffee beans to the government anymore. If you want to, we're going to give you the freedom to sell your coffee beans to any coffee buyers, importers, any coffee roasters you want. It's going to be a hard thing for you to do because you don't necessarily speak English; you don't necessarily have a good training in marketing. But if you can enter into those contracts, feel free to enter into the contracts."

What also happened is that some local non-governmental organizations (NGOs) provided people in Rwanda with more technical capabilities to care for their coffee and then to wash their coffee so you have a higher-value product. I don't think there's a story that I've seen in Rwanda that is more inspiring than what's happened—for the women who work, especially—in the coffee sector, because many of these women are genocide widows or the daughters of people who were killed in the genocide. There are more women in Rwanda than men because the men were either killed or they're off in prisons. There are over 100,000 people still in prisons in Rwanda waiting to be tried for genocide charges.

People like Cossilde, who I met when I was in Gisenyi, realize that if they get together with other women, work hard, and figure out how to produce a good quality product, they are going to make more money. There's a profit motive involved, and the profit motive is doing a powerfully good thing in this case in Rwanda. What's happening is that women have the freedom, because the government has gotten off their backs, to join together into cooperatives to sell their product.

Their product has become extremely highly valued by buyers around the world. This past September, one lot of Rwandan coffee sold for \$25 per pound. This same coffee seven years ago was selling for 80 cents a pound.

This is a dramatic change for these people, and think what it means in terms of their daily lives. These are people who exist on \$280 a year per capita income, and now they're seeing that if they're able to grow coffee effectively, they can transform their lives. They can send their children to school; they can buy medical care for their children; they can put shoes on their children's feet.

When I talked to Cossilde, I asked her, “What do you do with your extra money?” And the first thing she said is, “I buy clothes for my children so they have shoes that they can walk in so they don’t have to walk barefoot to school.” That’s a great story, and it’s not a story that we hear a lot about in Africa.

Mauritius. Another story that we don’t hear that much about but that’s been really a powerful example of change in Africa is what’s going on in Mauritius. Mauritius is a small island in the Indian Ocean, 1,500 miles off the coast of Madagascar. Mauritius has undergone a dramatic transformation over the last 40 years, mostly the result of a policy that allowed for export processing zones, free trade zones, on the island. As a result of legislation to allow for free trade zones in Mauritius, the country has gone from being a poor, single-crop exporter of sugar cane to being a dynamic economy ranked number 18 in terms of economic freedom in the world. And it ranks about 30 in terms of doing business.

What has this meant for the people of Mauritius? It’s meant that they have jobs. It’s meant that their standard of living has risen dramatically. In 1968, the per capita GDP in Mauritius was \$230; today, it’s approximately the equivalent of \$10,300—a huge difference for the people of Mauritius.

It’s also a huge difference for the women of Mauritius. Because the export processing zones were an area in which the kind of labor regulations that existed in the rest of the society didn’t apply—in other words, it was a place where more rigid labor regulations weren’t applied—women often got jobs in the export processing zone. This is a society that’s largely a Hindu society, very traditional society still, but these women were able to go out, get a job, make some money, have a little bit of independence, have a say-so in the household over how that money would be spent, decide whether they would support their children going through school or not, and they had the wherewithal to do it because they had some income.

Mrs. Banoo Hokenbokus is a perfect example, a kind of paradigm of what can happen in a country that has some economic freedom in terms of advancement for women. She’s a married woman, has a young child, but also manages a 3,000-person factory in Mauritius that’s a completely state-of-the-

art factory producing textiles. She loves her job; she loves contributing to the economy of Mauritius; she loves being a role model for other women in Mauritius. This is another one of the good stories that often we don’t see, how having a little more economic freedom can be especially beneficial for women in developing countries.

South Africa. I want to end with a story that I just found out about a few days ago. There was a story on the allAfrica.com Web site about organic vegetable gardening in Guguletu Township, which is just outside of Cape Town in South Africa. I visited Guguletu about two years ago, and when I was there, I was told to be careful and watch out because there had been a murder and a carjacking right outside the store where I was meeting with somebody. I was looking for where I would duck if there were a problem or a drive-by shooting when I was there.

This is a miraculous transformation. What has happened? The women in Guguletu have realized that the wealthy white people in Cape Town want to buy organic vegetables, and wealthy people in Cape Town are willing to pay extra money to buy organic vegetables. Who’s going to supply the organic vegetables? The women in Guguletu have decided they can do it.

This is a great story of women entrepreneurs in a township in one of the disadvantaged areas of South Africa being alert to an entrepreneurial idea but also, importantly, having the opportunity in South Africa because of its institutional environment to take advantage of that entrepreneurial opportunity. They’ve been able to acquire some funding through NGOs. They also are living in a reasonably secure institutional environment. Shaba, Philippina, and Maggie have gotten together voluntarily, built up a community garden system, and are now making more money than they’ve ever made before in their lives selling their organic vegetables to the markets in Cape Town.

The Promise of Africa

This is Africa’s future. This is what more young Africans are doing than we have any idea of. They’re being entrepreneurial, and that is the way that Africa will move forward in the 21st century; not only these women, but young entrepreneurial Africans. They are the promise of Africa. What do they need?

They need for their leaders to fix the governance problems; they need there to be a better rule of law; and they also need there to be other strong institutions in Africa like secure property rights. They need there to be more and more expansive economic freedom.

How can we be helpful? What kind of role can we play? We can play a role by constantly recognizing the importance of institutional improvement in Africa. But we can also be engaged by supporting these kinds of really creative entrepreneurial efforts, whether it's through buying products that people like Philippina and Shaba are creating when we go to Cape Town to visit, or whether it's by buying other products that Africans are increasingly making for export. There is a lot of promise in Africa, and I think what we'll see over the next 10 or 20 years increasingly is African entrepreneurs providing us with interesting, exciting, dynamic products.

Questions & Answers

MICHELLE EASTON, PRESIDENT, CLARE BOOTHE LUCE POLICY INSTITUTE: Thank you so much, Karol. What a wonderful talk. I feel confident in saying that wherever these good people in the room were in their knowledge of Africa and their enthusiasm about a potential there, it's higher now.

One of the jobs that I had during the Reagan Administration was in the Africa Bureau of the Agency for International Development. Each of the bureaus has a PVO liaison—private voluntary organizations liaison. It was just a year, and I always say it takes about a year to learn a job. But I remember when I took the job how many of my fellow conservatives—and this was 20 years ago—said, “Why? Who cares?”

My first question is, How did you get focused on Africa and become so enthusiastic? How did that happen?

KAROL BOUDREAUX: I'm happy to tell that story, because I hope, for the younger women who are in the audience, maybe this will be a little bit of an encouragement. I have had a long and circuitous road to my career. I started out as an English literature major. I went to graduate school for English lit. My father finally convinced me I was never going to

be able to pay for groceries with a Ph.D. in English. I went to law school. I had the great fortune to meet my husband, who is a wonderful economist and has really helped me to look at the world through a different set of glasses from the ones that I used to wear. I've taught.

This is how it happened. I was reading *The New York Times* one day four or five years ago. There was an article about people in Nigeria—herders and farmers killing each other. I had done some work with an organization in Montana called PERC, the Political Economy Research Center, on property rights, and I thought this sounds just like what happened in the American West in the 19th century; the cowboys and the ranchers don't like each other, but these people are killing each other over it. That seemed to me like a fascinating property rights kind of puzzle, and so purely serendipitously, because I opened *The New York Times* that day, I found a really exciting research project that's been going full-blast, full-strength, full-steam ever since.

Sometimes, when I was younger, I thought there were still some constraints on what I might be able to do and what I might not be able to do. There are not constraints. It's all about hard work; it's all about finding what you love; and I'm lucky that I found something that I love to do. I love working on the African development issue. I don't think there's a bigger, more important challenge for us to think about.

BRIDGETT WAGNER, DIRECTOR OF COALITION RELATIONS, THE HERITAGE FOUNDATION: I wonder if you could share a little more about the *Enterprise Africa!* project and also the work of Mercatus.

KAROL BOUDREAUX: The *Enterprise Africa!* program is now in its third year. This is a research project where we specifically look for enterprise-based solutions to poverty in Africa. It's a project that's had financial support from the John Templeton Foundation and has subsequently had financial support from other donors because we've moved past our Templeton grant.

Our focus is trying to understand what's working on the ground in Africa, but also what are the barriers and constraints—whether they're regulatory,

legal, social, social norms barriers, belief systems—that keep people in Africa from doing more and doing better. We presume that aid is not really the answer to the problems in Africa. Our presumption is that Africans hold the solution to poverty in their own hands and that if they had a little more freedom, if they had a little bit more scope to act, they would do tremendous things, just like people in other parts of the world have done tremendous things to build economies and better their lives.

The Mercatus Center is a research organization housed at George Mason University. I work especially closely with the Economics Department, but we work very closely with the scholars in the George Mason Law School.

For those of you who are looking for a law school that is very friendly to market ideas and that has a number of conservative faculty, I strongly encourage you to take a look at George Mason; it's a top-tier law school and just an excellent faculty. Similarly, if you're interested in economics work, Ph.D. work, or master's degree work, I strongly encourage you to look at George Mason's economics faculty; it's completely unique in the country. There are more market-oriented thinkers at George Mason than there are anywhere in the country, and that's not going to change any time soon.

QUESTION: I happened to be in Tanzania last year, and lack of infrastructure when it comes to transportation was a major issue. Could you address the countries that you've been in, where they are in terms of transportation infrastructure?

KAROL BOUDREAUX: Infrastructure is a tremendous challenge. It's a tremendous challenge in Tanzania; the road system is not good. It's a real challenge in much of East Africa. It's better in Southern Africa; this would be a legacy of some of the colonial era, but there do seem to be better roads in Southern Africa. Because it's so important to connect especially farmers in Africa to markets, the need to improve infrastructure is immense, and many of the East African governments are taking that challenge seriously.

I know in Rwanda, the government is devoting significant portions of its budget now to fixing the road systems, because any of the landlocked countries like Rwanda must go through Tanzania or

Kenya to get their products to market in Mombasa or in Dar es Salaam. The East African community has infrastructure as one of its major focal points for the next several years, and SADC is also very concerned with improving infrastructure.

In addition to that, multilateral lenders are increasingly going back to supporting some infrastructure projects. Whether that's going to work or it's just going to turn into a boondoggle really remains to be seen. If the World Bank is supporting with \$50 million loans road projects in Rwanda, we'll see what happens about that.

I should say, while it's on my mind, one thing that's fascinating that I've noticed when I've traveled in Africa is that there are Chinese surveyors everywhere. The Chinese are building roads throughout Africa. A lot of the infrastructure work that used to be done through multilateral projects or as a result of multilateral funding is now being done by the Chinese government.

QUESTION: My question is about microloan programs. I know that's at work in a lot of Asian countries. Is that involved in Africa at all?

KAROL BOUDREAUX: Microcredit is not as broadly available in Africa as it is in Asia or even Latin America, but you will find the major micro-finance institutions in Africa. In Tanzania, for example, FINCA International, the Foundation for International Community Assistance, has big offices in Dar es Salaam; I think ACCION International has an office there; the Mennonite Central Committee has a big office in Tanzania.

So there is microcredit in Africa, but because of African banking laws, it's taken a long time for microcredit to get off the ground in Africa. The banking laws in many countries have required that any financial institution have a very substantial financial reserve set aside, and for microcredit institutions, which may not have large amounts of money set aside waiting to be accessed by their borrowers, it proved to be difficult to meet those reserve requirements.

It actually took several years for many African countries to change their legislation and exempt microcredit institutions from those kinds of reserve requirements. It's kind of a good news/bad news

story. It's great to have more access to microcredit in African countries, and it's especially beneficial, obviously, to women, who tend not to have collateral but who can access commercial credit, this microloan credit, even without collateral. Why don't they have collateral? Because the men still own all the property, and because even if property is jointly titled, it's often the case that it's hard for women to make use of the property.

It's a good news/bad news story in the following sense: It's good for urban women, but it's proven to be quite problematic to get microfinance out to rural women. The vast majority of African women don't have a lot of access to microcredit yet, but the hope is that that will change. This is one of the wonderful things about technology; maybe having access to computers will make it easier for people who are doing the lending to take a computer and go out to group meetings rather than to have to take a lot of other paraphernalia with them.

So not as much as in Asia and Latin America, but you see it increasingly, and it is doing some good things for women in Africa.

QUESTION: Ann Canfield, and I have my own firm here in Washington. I'm not an Africa expert, but I have heard that one of the problems for women in African countries surrounding the property rights issue is that if their spouse dies, the relatives can come in and take the home, throw them out, and they are really left out on the street with their children.

First, is that true, and then, I understand that in some of the countries, they're trying to change the laws to correct that. Do you know about that?

KAROL BOUDREAUX: It's absolutely true. It's called property grabbing, and it happens way more frequently than we could ever imagine. A spouse, a husband, will die, and the woman, because of social customs, has become part of her husband's family.

Now the husband is gone, and the husband's relatives will take her property. They'll take the plot of land that she's been farming, and if she's living a subsistence life, that's her subsistence. The piece of land that she's been farming is what's feeding her and her children, but the relatives will come in. They'll take the land; they'll tell her to get off the

land; they'll take the furniture in the house; they'll take her cooking implements; and they will tell her, "Unless you sleep with your brother-in-law, you can't stay."

You can understand that for many women, this is a problematic choice to have to make. You've either got to sleep with your brother-in-law and become a second or third or fourth wife, or you've got to choose to leave the land, pick your children up and go. This is why there are so many single women in African cities and why the face of poverty in Africa is increasingly a feminine face. It's a feminine face in many places, but it's a feminine face in Africa because property grabbing goes on all the time.

The complicated question is what to do about it. There are already laws on the books in most African countries that prohibit property grabbing, but it happens anyway. This is one of the main problems, if you're going to do research in Africa or in other developing countries—this is actually a good insight for any of you who are interested in development issues: Putting a law on the book doesn't solve the problem. Putting a law on the book puts words in a code somewhere; it puts words on a shelf that people can choose or not choose to pay attention to if there's no enforcement. So what happens is, the traditional authorities, who still are quite powerful in Africa, say, well, we don't think the women should have access to this property, even though there's a law on the books that says property grabbing is illegal, so the women get thrown off the land anyway.

It's a huge problem. It's one of the things that I actually wrote about for the U.N. Commission on Legal Empowerment of the Poor. I focused pretty carefully on the problem that women have in terms of access to property rights, so hopefully, when the commission's report comes out, you will see information about the need to do something more effective to enforce the rules against land grabbing.

Human Rights Watch pays attention to this issue. I'm not sure if Oxfam does or not, but I'm sure Human Rights Watch does.

QUESTION: You were talking about how a lot of the problems with the economy in African countries are found in their lack of institutions that are

necessary to support economic growth and political freedom. I was wondering if you could speak to how much of that is cultural.

In a lot of African countries or tribes, there's a very low sense of private property, for example. I heard once that for the problem of building capital, it's hard to instill that sense of greed or selfishness in an African because their sense of community is so important. So there is somewhat a sense of burden for each person in a community toward other members of their community. If they have some capital or money, they are obligated to give it away to whoever is in need at that time in their community. So there's no risk assessment in giving out loans, and bad loans are continually given out.

Evidence of this is that in African countries, there are a lot of building projects that are only halfway finished, and that's because instead of holding onto capital, they'll just put it into a building. Africans know that if someone in their community approaches them, they can't refuse to give that loan to them, so they just put it into a building immediately. How much of this problem in Africa is related to cultural differences?

KAROL BOUDREAUX: I think it's certainly the case that cultural differences play a part in some of the challenges that Africans face in terms of economic development. You're exactly right that when a family member is successful and has money, other family members will assume that that money is available for lending out or for gifting out to other family members. Even if you have an extra goat, the goat may be something that should be given to an aunt or an uncle or to a niece or a nephew. So there is a very strong sense that when somebody is successful, the successful person needs to help support the other people in the family who may not be as fortunate.

But I suspect we have similar norms in the United States. I suspect this norm of taking care of your family is not really something that we necessarily want to denigrate; I think that what we want to focus on is creating more opportunities so that fewer people in the family are reliant upon the one or two who happen to get a formal-sector job or who happen to work for the government and who therefore have a steady stream of income.

Yes, you'll often see houses that are half-built, but there could be a variety of reasons for this. In Nigeria, for example, people will build half of a wall because the government rules about property ownership or property use say that unless you can demonstrate that you have some claim over this land, the government can come in and take it away from you. Unless you're demonstrating some useful investment in a piece of property, you're just inviting the government to come in and take your property away from you.

So it's really a government regulation, at least in Nigeria, that's directing people to do these kinds of crazy projects where they build half a wall. But at least then they can say to the government guy, "You can't take it away from me. Look, I built half a wall; I'm going to use this." It could be different in different places, but that's what seems to happen in the case of Nigeria.

I think cultural differences are really hard for people who have training in economics or people who are social scientists. It can be hard for us to get our hands around culture sometimes unless we're anthropologists. I do think culture is a real phenomenon, but I do think some of the problems we often associate with culture would actually be relieved if people had greater economic freedom.

MICHELLE EASTON: For those who'd like to go out and read about Africa, what's the number one book right now that you'd recommend?

KAROL BOUDREAUX: There's a great book by a man named John Reader called *Africa: Biography of a Continent*. I could not recommend it more highly as a general book on Africa; it gives you a broad sense of the history of Africa.

—*Karol Boudreaux is a Senior Research Fellow at the Mercatus Center at George Mason University; lead researcher for Enterprise Africa!, a joint venture of the Mercatus Center, the Free Market Foundation of Southern Africa, and the London-based Institute of Economic Affairs that investigates enterprise-based solutions to poverty in Africa; and a member of the Working Group on Property Rights of the U.N. Commission on Legal Empowerment of the Poor. She delivered these remarks at a meeting of the Conservative Women's Network, co-sponsored by The Heritage Foundation and the Clare Boothe Luce Policy Institute.*