

**TESTIMONY ON THE SOCIAL AND POLITICAL COSTS OF  
THEFT OF PUBLIC FUNDS BY AFRICAN DICTATORS**

**US House of Representatives Committee on Financial Services  
May 9, 2002**

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Bad national governance--and dictatorship is the worst form of it--is now the acknowledged tap root of mass poverty and political instability in the developing world. Dictators achieve that infamy by exposing those they rule to a double jeopardy. By denying those they tyrannize their inalienable rights, such as free speech, access to a free press, freedom of worship and freedom of association, they confine the public's mind to a stifling inward-looking provincialism that drives out the vigorous debate their complex problems cry out for. By denying those they tyrannize their rights, they also banish them from freedom to explore on the basis of free enterprise, novel and legitimate ways toward individual prosperity--the most convenient path out of mass poverty known to us so far . That double jeopardy is compounded when despots steal funds from their own people-- either by raiding the national treasury or by demanding commissions and bribes in large commercial transactions--secretly banking the ill-gotten gains abroad.

By stealing from poor economies, third world dictators not only deny their countries vital savings and investments, they also perpetuate a culture of perverse policymaking that leads to more poverty and more political discontent. That in turn calls for more repression, more payoffs for political turncoats, more torture chambers, and yet more multimillion rip-offs by the management of the dictatorships to finance all that. Dictatorial theft, bad policies and poverty reinforce each other in a vicious cycle.

Mr. Chairman, the developing world has some of the fastest growing populations in human history--2.6percent annually in Africa south of the Sahara between 1990 and 2000; 2.2percent in North Africa and the Middle East over the same period; and 2percent in South Asia. A fast growing population is a young population. In many of these regions, more than half the population is under 25. As the priority of priorities this calls for expanding services in child immunization, better and more health services, more and better public education, more schools and colleges. And more jobs too, preferably city jobs. For in the age of the global electronic information young people have access to first world television, advertising and hip hop. And they desire some of it.

When dictatorships secrete stolen funds into secret offshore accounts, fail to provide public health services, or public education and jobs to a young population with such high expectation, they risk setting off an explosive chain reaction ruining the societies they tyrannize and spreading to far of countries including the United States.

Sierra Leone in West Africa suffered a horrible civil war between 1991 and early 2002, arising mainly from corrupt despotic rule--by Presidents Siaka Stevens (1968-85) and Joseph Momoh(1985-1992). Lack of hope and economic failure there sparked a rebel movement (Revolutionary United Front) composed of footloose youths animated by despair, a foolish fondness of Rambo movies, and avant garde Western popular culture. Their trade mark was senseless amputation and they were especially brutal to civilians. Supported by neighboring Liberia's dictator Charles Taylor, these Sierra Leone rebels sustained themselves by commissioning the mining of alluvial diamonds in eastern Sierra Leone that found their way, according to a recent UN report, to Charles Taylor--a holder of multimillion dollar overseas secret accounts. Taylor is now lording it over a country whose capital has no portable water, electricity, or sewerage system. Taylor's principal intermediary in the diamond and banking business was a Kenyan illegal arms dealer, Sanjivan Ruprah(now under arrest in Belgium for traveling on a false passport) who was business associate of Victor Bout---the notorious Russian arms dealer who supplied Al Qaeda, Abu Sayaf in the Philippines. In all this Sierra Leonian diamonds facilitated money laundering. According to *The Washington Post* and *The Los Angeles Times*, Bout ran the largest illegal arms dealership in the world and African diamonds from conflict areas were one of his many specialties.

The late and unmourned President Mobutu of Zaire of course holds the record for financial plunder and national ruin. With an estimated \$4billion dollars in stolen fund to his credit when he went to meet his maker in 1997, he left the country poorer than he found it, with a ruined infrastructure and no formal economy to speak of. The legacy of his corrupt and irresponsible rule is a succession of weak governments and a civil war that has sucked in seven African states.

Nigeria is the seventh largest oil producer in the world. A close second to Mobutu in the African national hall of shame for kleptocracy must be the Nigerian military dictator Sani Abacha, whose five year (1993-98) rule left 70percent of Nigeria's 120million people living on less than one dollar per day. Is it any wonder that despite elections in 2000, there is unrest in Nigeria that could sunder its fragile democracy? Is it any wonder that young and desperate

Nigerians are susceptible to religious extremism and ethnic demagoguery that has led to massacres?

In Kenya, the Daniel arap Moi dictatorship (1978 to the present) must be given credit for systematic destruction of what used to be Africa's economic showcase from the 1960s through the 1970s. Through craven policies and unprecedented levels of theft of public funds, public land, forests, recreational parks, school playgrounds, and buildings. The authoritative British newsletter *Africa Confidential*, put Moi's external bank holdings at US\$3billion two years ago. He denied it publicly but insisted that he could not vouch for his siblings who, together with Moi's supreme confidante Nicholas Biwott have been often linked to major corrupt deals in Kenya. They have in the process recruited loyal sycophants into the process, primarily but not exclusively from Moi's ethnic homeland. In the so-called Goldenberg scandal the Moi regime bolted with an estimated \$1billion from its own Central Bank (12percent of the nation's GDP at the time) setting off a spiral of inflation, economic stagnation, unemployment, and rampant crime, a ruined agricultural sector, and decaying public services. Once a tourist haven, Nairobi the capital is now ranked by the UN among the most unsafe cities in the world. Kenya is now a strong candidate for the next African failed state.

I have concentrated on African states because that region now contains the dominant number of the world's poor who are getting poorer. The poor of India and China though larger in number may be turning the corner as growth takes root there. Africa deserves least the treatment they have received from the Mobutu's, the Abacha's, the arap Moises, and the Charles Taylors. But the phenomenon is not confined to Africa. The family dictatorships that run governments in the Middle East, the Somoza family in Nicaragua, Iraq's Saddam Hussein, the Duvalier dynasty in Haiti, the Marcos family in the Philippines, the Suharto family in Indonesia, the Russian "oligarchs" in the 1990s--all of these have been keen players in this tragedy of our times--robbing the country and banking the loot abroad, even as social misery multiplies.

### **What then can be done, by your committee and the US House of Representative?**

First, insist on more democratic practice, transparency and accountability in the way these countries are governed. Some may say that this is tall order. It is not. The first line of defense against kleptocratic dictatorships that hide stolen funds abroad must be domestic accountability to the ruled. Democracy is good for your pocket and for mine, and for that of the poor in Africa and other poor

regions. An effective legislature, a free press, an independent judiciary--that is the most effective firewall against financial illegalities that breed poverty in the developing world. A free people will fight for its rights--for its tax money, and for open bidding in public contracts. We know that even in rich democratic societies that has not proved always easy, but to corrupt Winston Churchill---it is the best in a very bad lot of alternatives.

There are committed democrats even in the most desolate of cases, many of whom---as we see in Burma today in the case of Ann Suu Kyi, and in South Africa in the past---are ready to pay the ultimate price. Like charity, good governance begins at home. Let's give it a leg up wherever it beckons.

Second, we must look at the international dimensions of the problem. The cold war era with its unquestioned support for friendly dictatorships by the US is over. The World Bank and the IMF who have unwittingly assumed the role of funding economic development in the developing world may have succeeded in some aspects of that task--for instance the insistence on the primacy of markets as the principal tool for resource allocation. As far as governance reforms--of the kind we are talking about---are concerned, however, they have been a spectacular failure. Both organizations knew perfectly well that the Mobutu regime was turning aid into the dictator's villas in the French Riviera, and chateaux in Switzerland. But the aid dollars kept flowing. Despite the window-dressing rhetoric from these institutions about the importance of "local ownership" of development programs, "capacity-building", and "participation" in poverty alleviation programs, it is still business as usual behind the scenes. Their principal goal still remains to maximize the loan portfolio to the developing countries, in the guise of fighting poverty.

That is why despite the outcry from the Kenyan opposition, Christian churches, and the press, the World Bank has continued cutting deals behind the scene with the incompetent and venal Moi government in Kenya--even to the extent of seconding Kenyan World Bank employees to Moi's public service. The IMF and World Bank's previous demand that those responsible for the massive heist under Goldenberg be brought to justice has been quietly put to rest as the regime is persuaded to adopt face-saving anti-corruption legislation so that aid can resume.

I would urge the honorable members of this committee to please look at the structural reforms suggested about the Bretton Woods institutions by the Allan Meltzer report of the year 2000 that was commissioned by the US Congress. It constitutes a good start for rethinking the multilateral development

system as constituted after the Second World War. The World has changed a lot since. One of the most obvious dimensions of that change is global criminal and terrorist based financial transactions. Considering the number of poor people they hurt, thefts of public funds by dictators must rank among the most callous and heartless acts of our times.

Mr. Chairman, I grew up in Kenya and had to flee the dictatorship of President Daniel arap Moi in 1989. I have traveled in and studied African developments in over two decades of my professional career. I know this situation first hand from travel and from consistent study of a large number of developing countries in Africa, Asia and Latin America. I am sure I speak for many I have met that are voiceless yet bear the pain. I implore this committee to strike a blow for justice, for the poor children, for the impoverished youths and ordinary citizens who have been victimized by merciless robbery of public funds by those entrusted with the role of guarding them.