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RESEARCH ARTICLE **the rest** *volume 9, number 1, winter 2019*

Rent Seeking and Industrial Growth in Africa: The Case of Dangote's Cement Industry

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ABSTRACT

Over the years, Africa has been noted for its socio-economic turmoil, and one of the decisive factors responsible for its dwindling economic fortune has been the lack of industrialization or de-industrialization experienced in the region. Africa is not lacking in both human and natural resources required for the attainment of socio-economic greatness; however, the lack of will-power and necessary policies to spur industrial growth have been evident. Although, Africa had recorded economic growth indicators decades ago, but the lack of its industrial prowess to sustain such has had a debilitating effect on its economy. This has made it imperative to acknowledge the policy-gaps in the industrialization question and explore the factors responsible for the lull in its industrial growth. Western scholarship holds that corruption and rent seeking hurts Africa's quest for industrialization, but I contend with ascribing the same understanding to the two concepts and argue that rent seeking is required to drive the industrial agenda of African states. Through the case study of Dangote's investment in the Cement industry in Africa, and unstructured interview of key players in the industrialization project, the article examines the place of rent-seeking in Africa's industrial growth. Rents is essential in developing economies to spur the development of infant industries; thus, the implementation of 'conditional' rents-friendly policy remains the answer towards achieving industrial growth and development in Africa.

Introduction

Western and African scholarship continue to reinforce the link between industrialization and socio-economic development. Under the new international economy order, industrialization has become one of the strong determinants of economic growth and development (Rajah, McFarlane and Kuruvilla 2015). Africa has lagged behind in the global order and industrialization project. Thus, the continent has become the dumping ground for all forms of by-products of both inferior and slightly superior quality (Whitby 2010). Lack of industrial prowess has further deepened the dependency syndrome. Therefore, post-colonial Africa has had to view industrialization as a means to attain economic growth, balance of payment stability, self-reliance and reduce Africa's dependence on the advanced industrial economies (Isiksal and Chimezie 2016).

Decades after independence, African states have failed in their quests to attain appreciable levels of industrial growth. Evidently, Africa has experienced a shift from manufacturing to the exploration of natural resources. One major reason for the dwindling industrial fortune of the continent has been its adherence to liberal ideology which edifies limited government and opposes the intervention of the state, through incentives (rents and rent seeking), in the economy. Rent seeking "is the idea that transfers are converted into social costs when individuals expend real resources and efforts to capture them" (Tollison, 2012: 73). It is the allocation of resources to what Tollison (2012: 74) called "higher valued user". Absence of these relations in Africa has a negative effect on industrialization.

Aside from the absence of adequate rents, lack of industrial growth was attributed to the following: shift from agro-economy to the exploration of crude oil and mining activities, inadequate skills and technical manpower, lack of policy implementation, poor entrepreneurial skills. In the 1970s and 1980s, Africa's industrial sector contributed 6% to the economy, while manufacturing sector accounted for 4% of the Gross Domestic Product (GDP), and in 1999, the industrial sector contributed less than 1% of Gross Domestic Product (Isiksal and Chimezie, 2016: 329, 332). Between 2011 and 2012, the petroleum sector accounted for more than 95 per cent of export earnings, while the industrial sector contributed about 14.8% and 13.8% to GDP in 2011 and 2012, respectively (Chete et al., 2016). Africa has relied on natural resources and foreign investment for decades and many countries still relied on these sources to meet domestic demands for industrial products like cement. The availability of natural resources and associated wealth creation has scuttled serious attempt at developing the manufacturing sectors of national economies.

Cement is a vital product for housing and infrastructural development (Mbongwe et al., 2014: 3). Also, due to the construction boom in many African countries and the importance of cement to developmental initiatives like constructions, the demand for cement continues to rise in Africa. Until the entry of the Dangote Group, the continent had relied heavily on the industrial powers as major sources of cement. Indeed, developing states require large supply of cement for infrastructural development like housing and schools. Therefore, "development of basic infrastructure from roads, rails and ports to hospitals, schools, shops and housing all require cement as a primary input, making it a key indicator of performance and the trajectory of an economy – especially those coming off a low base" (White, 2015: 124).

The founder of Dangote Cement, Aliko Dangote, became a global business icon in 2008. and invested hugely in several sectors, but the cement industry remains his major source of income. Dangote's cement operates in two ways: "cement producers usually have a physical presence in the countries in which they operate, but they also serve external export markets. There are also imports, by either independent trading companies or large-scale consumers who import cement for their projects" (Mbongwe et al., 2014: 4).

Apart from Nigeria, Dangote cement has physical presence and investments in Tanzania, South Africa (Sephaku cement which started production in 2014) and Zambia. Dangote Cement, which accounts for about 90 percent of Aliko Dangote's personal wealth has risen to become the biggest company quoted on the Nigerian Stock Exchange (Akinyoade and Chibuike, 2016). The Dangote Group, which is categorised among the top 40 African companies in terms of size, income and global spread is the parent company of the cement industries operating across Africa (Zambia Development Agency, 2015). Dangote's growing success in the manufacturing sector is attributed to the enormous rents and incentives he receives from African governments, especially the Federal Government of Nigeria.

The article acknowledges the policy-gaps in the African industrialization question and explores the factors responsible for the lull in its industrial growth. Western scholarship holds that corruption and rent seeking hurts Africa's quest for industrialization and development (Coolidge and Rose-Ackerman, 1999); however, this article contends with the case against rent seeking, and argues that rent seeking is required to drive the industrial agenda of African states. This was achievable through an unstructured interview with five (5) purposively selected actors in Africa's industrial project in Lagos (Nigeria), Addis Ababa (Ethiopia), and Johannesburg (South Africa) in 2016. The status of the respondents are as follows: high official of a UN-affiliated organization in Africa, a major player in Nigerian manufacturing sector, two members of a think-tanks on industrial policy in Africa, and a lecturer, who was Nigerian government's consultant on industrial policy. The personal communication was guided by the principle of anonymity; thus, respondents were represented by the following titles: Industrialist, Lecturer, Scholar, Resource-person, and Resource-person 2. Through the case study of Dangote's investment in the African cement industry, the article explores the place of rent-seeking in Africa's industrial growth. Aside from the introduction, the article provides an understanding of rent seeking, followed by a presentation of the reality of industrialization in Africa. The subsequent section focuses on the need for rents, followed by an examination of the place of rents in the growth of Dangote's cement industry, and the last section concludes.

Conceptualising Rent Seeking

There is exhaustive literature that conceive rent seeking as destructive to economies, especially that of the developing countries. This school of thoughts is grounded in liberal ideology, and argues that rent seeking breeds corruption, wastage, inefficiency and is antithetical to the workings of the market. This perspective frequently used corruption interchangeably with rent seeking (Gumede 2015). Indeed, there is an area of overlap between rent seeking and corruption, but there is expansive degree of divergence. Therefore,

> *"While corruption involves the misuse of public power for private gain, rent seeking derives from the economic concept of "rent" -- earnings in excess of all relevant costs (including a market rate of*

> *return on invested assets). Rent is equivalent to what most non-economists think of as monopoly profits. Rent seeking is then the effort to acquire access to or control over opportunities for earning rents. These efforts are not necessarily illegal, or even immoral. They include much lobbying and some forms of advertising" (Jacqueline and Rose-Ackerman, 2000: 2-3).*

Rent seeking is conceived as part of the decentralized system for private accumulation by private individuals and average level public officials. This is achievable through "vague and restrictive laws, high tax and customs rates, and controls on domestic prices and foreign exchange that produce opportunities for private gain" (Jacqueline and Rose-Ackerman, 2000: 3). In developing countries, the ruler often controls other organs and layers of powers, and in positions where manipulation of power is easily attainable for personal gain. Thus, the idiosyncrasy of the ruler and its intent is very vital for the success of rent seeking.

Rent seeking, a broader concept than corruption, captures both the legal and illegal attempts to obtain and create monopoly rents, while corruption relates to the class of transactions that are completely illegal (Jacqueline and Rose-Ackerman, 2000). Rent-seeking does not automatically translate to corruption, it could be legal policy and legitimate option (Jacqueline and Rose-Ackerman, 1999: 5). Mbaku (1992: 197) locates the rents-corruption nexus in context thus,

> *Although the conversion of public resources by a civil servant to his own private use is bureaucratic corruption, it is not rent-seeking behaviour. If, on the other hand, civil servants lobby legislators in an effort to secure legislation raising bureaucratic compensation levels, such behaviour is rent-seeking, but it is generally not considered a form of corruption.*

Advancing the ills of rent seeking, Jagdish Bhagwati holds that rent seeking could result in 'directly unproductive' activities, which could contribute to resource wastage and economic inefficiency (cited in Jacqueline and Rose-Ackerman, 2000: 3). Deacon and Rode (2012: 1) maintain that,

> "*While the precise mechanisms vary, several postulate that rent-seeking diverts activity or resources away from productive employment, e.g., private capital may be shifted to a less productive but secure sector, potential entrepreneurs may be attracted into rent-seeking rather than wealth creation, labor may be diverted away from producing output and toward competing for a resource rent prize.*"

Abundance of natural resources increase rent seeking, and reduce the number of those engaged in productive industries (Torvik, 2002). Furthermore, rent seeking explains the existence of resource curse in developing countries (Kolstad and Wiig, 2009).

Economists hold that rent is 'excess incomes,' that is not expected to exist in efficient markets (Khan, 2000: 21). While creation of excess income occurs in all forms of economies, surplus incomes should not be interpreted as wastage. In contrast, Khan (2000: 23) maintains that "rent can sometimes be efficient, and in other cases may be essential, for promoting growth and development". The real question: is there a perfect market or market efficiency in Africa in general, and Nigeria in particular? Adam Smith's thesis of an 'invincible hand' that drives the market can no longer be applicable in an imperfect and inefficient market, distorted, manipulated and controlled by the 'visible hand' of global capital and Multinational Companies (MNCs) (Akinola, 2018). Global capital and MNCs have stunted the growth of local industries and manipulated the local population into ardent consumers of foreign products. For instance, hitherto locally-made 'baskets' made from palm trees have been replaced with the 'modern' plastic containers now found in African markets.

Rent seeking is one of the potent weapons of states in the developing world to address market failures and drive the industrialization schemes of the state. This could take the form of subsidy payments, tax incentives, direct state intervention in pre-determined sectors to induce viability, restrict import duties or export duties, and promote local content. A respondent maintains that in many countries (both advanced democracies and undemocratic countries), specific 'off-budget' assistance is usually offered to targeted individuals, groups, party supporters, industries, or entrepreneurs to build coalitions, empower sets of individuals or achieve particular objectives, which may be political or economic (Lecturer, 2016, personal communication). For instance, allocation of off-budget incentives was used in Indonesia to spur economic growth (Maclntyre, 2000).

Chang (2002), reveals that deep-rooted liberal democracies like Germany, Britain, the United States, and France, adopted interventionist industrial policies through the utility of tariffs (rent) to protect local industries at the infant phase. Many of the companies, like the Royal Niger Company, thereafter, became highly competitive MNCs that captured the markets of developing countries during colonialism. The resulting industrial growth created wealth for the parent countries and induced national economic growth.

Therefore, rents could instigate market efficiency and growth. Rents are important to ensure that well-targeted types of goods or services are provided (Khan, 2000: 24). The Nigerian and Zambian economies regarded the local manufacturing of cement as germane to national industrial growth and development, and made concerted efforts, through rents seeking, to support companies committed to the governments' aspirations.

A review of the industrial and economic policies of developed countries would reveal different versions of rents and rent seeking under different titles: incentives, economic protectionism, subsidies and state economic intervention (Lusztig, 1998; MacIntyre, 2000; Ikpeze et al., 2004). s. Rents are usually attached to definite conditions or operational goals. Rents and rents seeking should not be driven by purely political consideration, but by economic determinants. As pointed out by a respondent, it is important to understand the kind of rent the state is creating and what the beneficiaries want to do with it (Resource-person, 2016, personal communication). Therefore, to be a partaker of the rents administration, the rent-seeker must be productive and adhere to other rules that guide rent seeking and industrialization. Provision should be made for the withdrawal of rents or subsidy, and its re-allocation when the holder of rents shirks from compliance with the rules and conditions of rents.

Indeed, rents and rent seeking was very effective in countries like South Korea, but it may not achieve its desired outcomes in countries that lack government capacity to enforce the set objectives and legal frameworks that guide the policies (Resource-person, 2016, personal communication). Strict responsibilities, obligations and productive targets must be attached to the opportunities of rents. In such ways, rents would become the prizes for infant industries and local entrepreneurs that meet productivity benchmarks or other special conditions of rents. A respondent reported the case of India. The country invited an automobile industry, Suzuki, and granted the company about 85% tariff protection, which was tied to a domestic content condition that was properly managed and enforceable (Resource-person, 2016, personal communication). He pointed out that, "in a little more than five years, Suzuki met the conditions and generated almost 60% local content". India actually excelled in "learning-by-doing".

African states have been too preoccupied with the 'catch up' project to the neglect of the importance of rents to industrialization. Other issues to be considered are: Are the policy instruments appropriate for the political climate of the country concerned? Is there institutional capacity? Is the environment conducive to implement such policies? Is the government capable and empowered to enforce the rules of engagement? Khan (2000: 22) maintains that the "the absence of diligence by policy-makers, changes in political and technological conditions or even unplanned institutional evolution may easily make an efficient system of rents inefficient over time." This is a call for governance capabilities, which is required towards boosting industrialization. As noted by a respondent, state capacity is germane for enforcing rules, including those governing rents and rent-seeking and economic protectionism (Resource-person, 2016, personal communication).

African states have failed in this respect. For instance, Nigeria's industrial policy has not addressed the relationship between the educational system, especially University education, and availability of the human capital base required for industrialization (Ikpeze et al., 2004: 362). This is required for capacity building necessary for skills acquisition and transfer. According to (Ikpeze et. al., 2004: 362), "a larger supply of trained (technical) manpower is a most effective facilitator of the assimilation and diffusion of technology." A strong institution and effective state is essential to enforce the rules governing rents and rent seeking. The absence of such could derail the objectives of rent seeking. African states therefore have the responsibility to reform state institutions before embarking on rent seeking that are aimed at the transformation of Africa's industrial sector into maximum productivity.

Challenges to Industrialization

Scholars and stakeholders have identified many reasons for the dearth of industrialization in Africa. Sandrey and Edinger (2013) note, that, a lack of the characteristics of good governance (transparency, accountability, democratization, and limited government) identified by the west explains Africa's poor industrial growth. This has resulted in weak infrastructure (the high cost of electricity, bad roads, congested ports, and poor communication and transportation amenities) that increases the cost of industrialization (The Economist, 2015). Corruption and lack of accountability increases the cost of doing business in a country and acts as impediments to entrepreneurial development. A democratic state with socio-political and economic stability creates an environment conducive for investment opportunities and industrialization (Akinola 2018). However, Asia has made tremendous industrialization strides without this western prescribed 'good governance', while Africa, in its 'race' to catch the good governance train has stagnated and experienced de-industrialization. Many problems have impacted this continent's skills development, innovation and creativity, as well organizational capability (Resource-person, 2016, personal communication). These include the legacies of imperialism, colonialism and globalization which have undermined the capacity and sovereignty of African states.

Prevailing African development routes are not innovation driven and economic growth relies on old skills, machines and technology (Resource-person 2, 2016, personal communication). This respondent attributed low productivity to the use of old equipment by largely unskilled and untrained labour. He concluded that this is inevitable in a society where human capacity is lacking. Another respondent felt that a lack of organizational capability was the main issue (Resource-person, 2016, personal communication). He noted that in the 1950s, the Indian automobile industry was manufacturing about 50,000 cars a year of low quality and was not internationally competitive. Through rents, and the development of the country's organizational capacity, by 2009, output rose to about 1.8 million cars for global consumption. India became the 4th largest exporter of cars (Resource-person, 2016, personal communication).

Major constraints on Africa's industrial development include acceptance of the neo-liberal ideologies of free trade and market openness, and the jettisoning of economic protectionism and rents. While "sometimes, there are limited disciplined local entrepreneurs who can meet the conditions for rents payment ... no country can develop without directive credit and rent ... history of over 500 years has validated this" (Resource-person, 2016, personal communication). Liberal commentators continue to regard macroeconomic policies as the panacea for African growth, but Soderbom and Teal (2003) believe such policies alone might not enhance economic growth, other intrinsically and fundamentally complexities in Africa's political economy impedes concerted efforts at industrialization. UNECA posits that Africa's industrial capacity is constrained by low investment; poor infrastructural development, which results in higher production and transaction costs; high sovereign risk, poor governance and weak institutions; inappropriate industrial policies; and generally rigid micro- and macro-economic frameworks (UNECA, 2007).

Africa's monolithic resource-based economy impedes industrialization and economic development. In many cases, resource dependence is accompanied by corruption, institutional inefficiency, and rent-seeking (Sandrey and Edinger, 2011: 9), which lead to the resource curse and attributes of 'Dutch Disease'. The inability of many countries to diversify from primary commodity exports to manufactured products, is one of the stumbling blocks to economic development. Resource endowment and exports is not a curse; a resource curse arises when states fail to convert their resource wealth into socio-economic benefits for the development of the state and its people. Therefore, African countries may have to export their natural resources and use the revenue to fund medium-sized technological industries and empower local entrepreneurs who have the capacity to create a significant number of jobs (Resource-person, 2016, personal communication). China is a ready destination for Africa's resources in exchange for 'cheap' finished products. This in itself hinders the continent's industrialization.

A respondent noted that, "with China, Africa doesn't need any industrialization" (Industrialist, 2016, personal communication). Global industrial powers, like China make it harder for Africa to diversify its natural resource-based export profile due to its imposing posture, expanding export profile, the 'financial gains' thereof and the ready availability of goods and services. China's economic engagement with Africa surpassed that of any other trade bloc (Sandrey and Edinger, 2011) between 1995 and 2008, increasing by 23% per year, more rapidly than exports to Europe, the United States, or ASEAN countries (Sandrey and Edinger, 2011, 15). China's influence extends to the regional supranational organization, the African Union (AU). China "built the seat of African Union: an expansive building in Addis Ababa that houses the Africa supranational organization, AU. How can the AU resist China? Permit me then to say that China has the AU in its pocket" (Scholar, 2016, personal communication).

China has strategically occupied the role of a key financier of the continent's development projects and is a major contributor to Africa's infrastructure stock, with Chinese companies completing construction contracts amounting to $40.83 billion in 2012, while its cumulative Foreign Direct Investment (FDI) was estimated at $21 billion, including $3.43 billion in the manufacturing sector (Sandrey and Edinger, 2013). China has over-run Africa's textile industry, and particularly that of South Africa which is regarded as the gateway to subjugating the continent's manufacturing capacity through the exportation of industrial products via the country (Scholar, 2016, personal communication). In January 2007, the South African government reacted by imposing some quotas on clothing and textile imports from China, aimed at protecting the South African industrial sector that enjoys 40% tariff barriers (Sandrey and Edinger, 2011, 20). The most decisive factor in favour of China is the uncompetitive nature of African industries, whilst African states failure to protect infant industries is another impediment. Given these challenges, can rents and rent-seeking be an effective economic strategy to induce industrialization in Africa? It is imperative to first understand rents, and rent-seeking and their link with industrialization before exploring the utility of rents in the continental industrial project.

The Imperativeness of Rents and Rent Seeking

The appropriateness and inappropriateness of rents and rent seeking is an ideological debate, depending on one's ideological orientation. Certainly, the seeming universality of liberal ideology which is a model of perfectly competitive markets has reinforced the almost universal pessimism surrounding the concept of rents and rent seeking. For instance, despite the staunch opposition of the radical political economists to the imposition of Structural Adjustment Programme (SAP) on Africa, in the form of economic reform; the World Bank believes that the "continuing economic problems in Africa are the result of a failure to carry liberalization far enough" (World Bank, 1993). Contrary to the projection or ideological proposition of liberal thoughts, market efficiency was a delusion in Africa. It never existed, and, with the penetration of global capital into the economy, it may never exist in Africa. Africa was characterised by imperfect market and market inefficiency. This was reinforced by Isiksal and Chimezie (2016: 329) in their argument that "market failures typically occur in the company of externalities and natural monopolies. These market failures prevent the emergence of an efficient market and effective industrial policies which are required to ensure efficient allocation within a free market" (Isiksal and Chimezie, 2016:329).

Within the discourse of development theory, Rodrick maintains that the risk of market failures always engender intervention in the workings of the market (cited in Isiksal and Chimezie, 2016: 329); thus, the need for the intervention in critical or special sectors of the economy like the manufacturing sector. Over the years, Africa has been the recipient of finished products, as its industries continue to wind down operations in different parts of the continent. The case of Nigeria, a country with enormous resource wealth and experiencing 'Dutch Disease' is especially a greater concern**.** Certainly, penetration of global capital to developing countries like Nigeria exposes local industries and economies to aggressive competitive pressures. Many local firms became uncompetitive and gave way under the strength of MNCs, thus, resulting in loss of jobs, deepened inequality and the impoverishment of many. On a broader picture, this gradually explains the depletion of industries in developing countries and the expansion of MNCs and development of industrialization in the advanced countries.

The huge capital required to manufacture cement in Africa and the volatility of the African socio-political and economic spheres has scared off foreign investors from/ has made foreign investors scared of making full commitment to the regional industrial projects. African states had to intervene by motivating (through rents and rent seeking) local firms and entrepreneurs to invest in the cement sector. According to a study, the government of six African countries designated cement as one of the strategic commodities; thus, investors receive preferential treatment like zero-rated import duty and VAT deferment on project capital goods (Mbongwe et al. 2014: 13).

In East, West and Southern Africa, local cement industries were acquired by global manufacturers, especially Lafarge from France. In contemporary Africa, Pretoria Portland Cement (PPC) of South Africa and Dangote Groups of Nigeria have become important players in the cement industry. Despite the persisting imports from non-African countries, and the increased local production by African companies, "cement prices in Africa are still the highest in the world, averaging around 200 percent higher than in any other region" (White, 2015: 125). This could be attributed to inconsistent policies, lack of government influence in price setting, large demands for cement due to expanding infrastructural development across Africa and the limited number of cement producers creating monopoly in the sector.

Post-colonial Africa was pre-occupied with distributive politics of dispensing patronage based on ethnic affiliation, rather than a systematic scheme of wealth creation and provision of a conducive environment for industrial growth. In Nigeria, the Obasanjo-led administration took the bold step to intervene in the manufacturing sector to rescue infant industries and provide diverse motivations to the establishment of new industries. The resulting industrial gap between the global power and non-industrial powers of the developing countries could be bridged "if the productive sector develops the ability to withstand the intense competitive pressures that are associated with globalization" (Kaplinsky, 1998:1). The most probable of way of achieving this is through economic protectionism or rent-seeking, which "requires the ability to identify and appropriate 'economic rent', and hence to escape from commodity production" (Kaplinsky, 1998:1).

Nigeria is one of the twenty (20) least industrialized country in the world. Decades of abandonment of the industrial sector, corruption, inept leadership and weak public institutions by previous military and civilian governments have reduced the quest for industrialization in the country (Akinola and Wissink, 2018; Isiksal and Chimezie, 2016). De-industrialization process in the country has seen more than 820 companies shut down, while others went into administration between 2000 and 2008. During the textile boom, the industry attracted close to 700,000 labour, representing the second largest employer after the government, contributed 25 per cent of Nigeria's manufacturing capacity and generated a turnover of about US$8.95 billion. Between the 1980s and 2004, the sector's fortune dwindled from 175 to a mere 10 effective companies. Within the same period, employment in the industry drastically fell from 350,000 to 40, 000 direct labour (Chete et al., 2016: 14-15). Table 1 reveals the low production capacity of the Nigerian manufacturing sector.

Table 1. Breakdown of the Outputs of Identifiable Sectors in Nigeria

s/n	Sector	Percentage
1.	Textile	1.40
2.	Garments	22.28
3.	Food	30.17
4.	Wood & Furniture	13.59
5.	Construction	5.29
6.	Other Manufacturing	27.27
	All Sector	100

Source: World Bank 2006.

The collapse of Nigeria's textile industry, which has gone from employing more than 350,000 people to less than a tenth of this, reflects a deeper problem of deindustrialisation in Nigeria and across Africa in general (The Economists, 2015). The textile and fabric industry 'crashed' due to the importation of certain brands of textile ('Ghana Print' and 'London Print'), encouraged by the Obasanjo's administration. There was an insinuation that the license to import had been given 'only' given to the Dangote Group of Companies through the network of patronage. Indeed, other illegal local importers soon crept into the textile market. Government's explanation was to raise revenues, but it was clear that the monopoly the company enjoyed in that area of economy was due to the relationship between the President and Aliko Dangote. This is harmful to the economy and does not capture the motivations for rent seeking. Rent-seeking should not only be to raise government revenue through import duties or appease an investor, but to also enhance human development and create industrial opportunities, which are necessary for economic development. The government must have realized its policy error, and shifted towards empowering the manufacturing sector through rents.

In a renewed effort to resuscitate dilapidated government-owned mineral operations and combat corruption as well as inefficiency, the Obasanjo administration decided to commercialize state-owned enterprises through the National Economic Empowerment Development Strategy (NEEDS) of the early 2000s (Mobbs, 2004). The transfer was managed by the Bureau of Public Enterprises (BPE), which was an integral part of the National Council on Privatisation. This is not an advocacy in support of privatization, as the Nigerian government was already on the privatization-train. Rent-seeking would protect local industry and make many few of them globally competitive. It would also invigorate those that are struggling and act as motivation for the establishment of others. In 2004, domestic consumption of cement was estimated to be around 11 million metric tons per year, while the country's installed cement production capacity was restricted to 6 million metric tons per year (Mobbs, 2004: 1).

Local cement companies' operations had folded up due to many locally-generated socio-economic crisis, among which was the heightened cost of production due to the incessant increase in the price of fuel. The lull in productive capacity prompted the importation of cement to supplement local production. Dangote thus became the leading player in the cement importation scheme and, in quick successions, established five cement terminals for the importation and bagging of bulk cement in the country (Akinyoade and Chibuike, 2016: 17). During the importation era, Dangote accounted for 46 percent of the bulk cement market in the country, and later got a license for local manufacturing capacity in 2001, after the company became the main investor in the Benue Cement Co. Plc. The new investor injected funds into the company by 2004, rehabilitation of the 900,000-t/yr Benue plant at Gboko was completed (Mobbs, 2004: 2). In the same year, the Dangote Group proposed a 4.7-Mt/yr-capacity cement plant in Kogi State (Obajana), a 2.3-Mt/yr cement plant in Ogun State (Ibese), and a 2.3-Mt/yr cement plant in Cross River State (Odukpani) (Mobbs 2004: 3).

Rent seeking and the Cement Industry: From Nigeria to Zambia

To properly establish the connection between rent seeking and industrialization in Africa, it would be important to begin by examining the evolution of The Dangote Group of Companies, owned by a Nigerian, Aliko Dangote, into a regional industrial fortress. Dangote explores the opportunity of rent seeking for industrial growth and operational expansion in Nigeria and across Africa. In 2015, the Dangote Group was named Africa's "Brand Builder of the Year" (Press Release, 2015). It invests in cement, sugar, salt, pasta, beverages, steel, fertilizer, oil and gas, Polypropylene products, haulage, and packaging with cement as the major investment (Akinyoade and Uche, 2016). Dangote's business engagements started in Nigeria but now operate in other African countries. Sub-Saharan Africa was categorised as an investment risk zone and a dumping ground for cement by MNCs from Asia and the Far East. Local investors like Dangote used this opportunity, and through rents, his company became the largest manufacturer of cement in Africa.

The Dangote Group of Companies, which was established in 1977, has grown into Africa's business empire of the 21st century. Indeed, Dangote has made a mark in Africa's cement industry. For instance, South Africa's major export zones are Mozambique, Angola, Zimbabwe, DRC and Zambia, but Dangote's inroads into the cement economy of Africa has limited the fortune of South Africa's cement industry in these countries. He has 10 industrial plants in eight countries across Africa, namely, Zambia, Tanzania, South Africa, Senegal, Nigeria (Gboko, Ibese and Obajana plants), Ghana, Ethiopia, and Cameroun (African Business 2016). Dangote is not alone in the cement sector in the region, there are other players in the industry: Jidong Cement in South Africa; Mambosa Cement (backed by the largest cement manufacturer in Japan, Taiheiyo Cement Corporation); National Cement and Cemtech Sanghi Group in Kenya; Lake Cement in Tanzania; Lafarge Cement in Zambia; and other smaller companies in the aforementioned countries (Mbongwe et al., 2014: 7). Investors in Southern and Eastern Africa were dominated by European and South African companies. Recently, Dangote Groups and Chinese companies have become new entrants into the regional markets.

The company commenced in Nigeria with zero importation of production and now controls about 65% share of the country's cement market, which puts the company in a position to set the prices for the commodity in Nigeria (Fawehinmi 2017). Dangote ignited his entrepreneurial skills and foresight and increased his invested in the cement industry at the opportune time and evolved from a cement-importer to manufacturer. According to Akinyoade and Chibuike (2016: 6), between 2000 and 2014, the demand for cement rose from 5.62 million to 23 million metric tonnes (a 400% increase). As reported by Akinyoade and Chibuike, after Dangote acquired dominant interests in the Benue Cement Company in 2000, he immediately increased its domestic cement production capacity from 900,000 metric tonnes per annum in 2000 to about 28.2 million metric tonnes in 2016.

The foundation for the success of the cement industry was laid by the Nigerian government. The Nigerian government granted Aliko Dangote a monopoly on the importation and distribution of cement. Despite the huge potential of Nigerian markets, cement imports and MNCs' dominance of the sector impeded the establishment of cement manufacturing plants in Nigeria. Aside the manufacturing sector, Dangote was also granted the license to build a petroleum refinery in Nigeria due to the 'refusal' of the MNCs operating in the oil sector to build one. The government granted him concessions and access to crude oil; consequently, he embarked on the construction of the first private refinery in the country. As noted by Edwin, "the Petroleum Refinery would have a capacity of 650,000 barrels per day in a single train and there is no Refinery with a single train of capacity exceeding 400,000 barrels per day existing in the world today" (Osagie, 2015). This massive investment would generate thousands of jobs, resolve the country's incessant fuel scarcity and eventually 'force' the price of petroleum products in the country to go down.

In order to enhance local production of cement in alignment with the aims of Nigeria's economic and industrial policy instrument, National Economic Empowerment and Development Strategy (NEEDS), the government sold its shares and completed the privatization of government-controlled cement industry, which gave the Dangote Group the opportunity to amass 65% control of Benue Cement Company (Industrialist, per. Comm.). Other private investors also had their share of the opportunities in the sector. For instance, Blue Circle (cement company from Britain) and SCANCERN International (Cement company from Norway) also secured the control of hitherto government-run cement companies (Industrialist, per. Comm.).In its efforts towards the local production of cement and growth of local industry in the sector, the Obasanjo-led administration awarded cement importation licenses only to companies that showed willingness for local production of cement in the country, along with other fringe benefits (rents) which included tax exemption for at least seven years (this was conditional on active investment in the cement industry), waiver of VAT and custom duties. These incentives favoured the Dangote Group, which was bold in its commitment to both cement importation and huge investments in the establishment of cement manufacturing plants across the country.

Apart from Dangote's investment in the cement industry, he invested heavily in the President Obasanjo re-election bid in 2003, he reportedly contributed N3billion (about $8.6million) worth of cement towards the building of the campaign headquarter of the Obasanjo-led ruling party, the People's Democratic Party (PDP). As noted by Akinyoade and Chibuike (2016: 1), while Aliko Dangote maintains close relationships with successive Nigerian governments, his entrepreneurial skills and grasp of the Nigerian political and economic environment played a major part in capturing the cement market.

Dangote largely benefited from Nigerian government's nationalistic policy or economic protectionist that encourages the growth of infant firms in specific sectors. There have been insinuations that the Group continues to receive 'preferential treatment' from the Nigerian government due to Aliyu Dangote's closeness with successive Nigerian governments.

Dangote was not among the original beneficiaries of Nigeria's privatization schemes during the SAP era (from the late 1980s and 1990s) but became 'privileged' during the second phase of the privatization programmes under NEEDS. The Nigerian government embarked on the privatization of all cement plants, thereby granting the Dangote Group the opportunity to invest in one, the Benue Cement Industry (Akinyoade and Uche, 2016). Without rents, his business would not have grown to this level of regional competitiveness. Patron-client relations or close links between politicians and investors are not necessarily permanent; rent-seeking behaviour could be temporary, dynamic and directed towards achieving the goal of economic productivity at a particular period in time.

Certainly, Dangote played a decisive role in funding the 1999 and 2003 election campaigns of Former Nigerian President, Olusegun Obasanjo, who believed in the emergence of a handful of 'oligarchs' as central to transforming Nigeria's redundant economy (Wallis 2008). Rowley maintains that rent extraction "occurs when entrepreneurs make payments to politicians, not to seek 'political favour' but to 'avoid political disfavour'" (as cited in Congleton and Hillman 2015: 379). However true as this statement may seem in some situations, it is not obtainable in all cases of rent seeking. The Obasanjo-led government embarked on policy changes (rent payments) such as restricting the importation of cement to only those companies that invested in domestic production (Wallis, 2008). This was specifically implemented to favour Dangote (Industrialist, 2016, personal communication).

During an interview, Former Group Managing Director, Dangote Cement Plc, Devakumar Edwin recalled a meeting with President, Obasanjo who promised that if Dangote and other local investors could meet local manufacturing capacity, the state would protect the industry through anti-dumping duty, to prevent making Nigeria the dumping ground for cement imports from countries where production is subsidised (Osagie, 2015). According to Edwin, this incentive presented by the Nigerian government "made all the cement terminal operators and the existing manufacturers to invest in Cement manufacturing. This started in Nigeria and has now expanded to other African countries like Zambia" (Osagie, 2015). The granting of concessions typifies rents and rent payments.

The Nigerian economy has been driven by oil, since the oil boom. Oil constitutes more than 80% of government earnings. Oil wealth, which is perceived to be a curse, "distorted the incentive system and destroyed the traditional link between industry and government" (Ikpeze et al., 2004: 346). Furthermore,

> *"Traditional, governments support industrialisation not merely out of altruism, but because industrial growth serves the interests of the government and society. Industry creates, earns foreign exchange through exports, and brings revenue to government through taxes on both corporate profits and personal income. With the oil boom, these links were temporarily severed" (Ikpeze et al,. 2004: 346).*

The Nigerian government's decision to fully embrace an aspect of economic liberalism (privatization) coincided with the Dangote's business incursion into the country's economic terrain. It seems too high sounding to make the claim that Nigeria embarked on economic liberation to favour Dangote. Indeed, the liberalization train preceded the emergence of Dangote, and many other players – both local and foreign – benefited from Nigeria's privatization policy: a policy that transform Dangote into a regional industrial power in the cement manufacturing sector.

In 2010, the Zambian Government, through the Zambia Development Agency, signed an Investment Promotion and Protection Agreement (IPPA) with Dangote Industries (Zambia Limited) for the establishment of the Dangote Industries Zambia Limited and commencement of other development projects. The government, through IPPA, offers two types of incentives for the Nigerian-owned industry: fiscal and non-fiscal. Fiscal enticements comprise of Zero percent tax rate on dividends, profits, and import duty rate on capital equipment and machinery for five (5) years respectively (Zambia Development Agency 2015). The agency further reports that the non-fiscal incentives offer protection against state nationalization, free facilitation for application of immigration permits, secondary licenses, land acquisition and other important utilities. Furthermore, the Zambian government offers them additional incentives and safeguards their investments in case of changes in Zambian legislative framework.

Dangote has invested about $400 million in the Zambian cement plant and also constructed a 30-megawatt coal plant to generate electricity for the company and its immediate environment: 20 megawatts for the industry and 10 megawatts for the host community (Nwaoguji, 2015). According to Dangote, "we will end up investing about US$900 million in the Zambian economy, but it's worth it because we are all Africans" (Lusaka Times, 2017). Dangote has become a household name in Zambia, especially in the communities where the plants are located. A plant, located in Lamba land, with a workforce capacity of more than 1000, has an installed capacity of 1.5 million tonnes per year (Phiri, 2017). The cement-manufacturing company, the largest ever investment into Zambia by a Nigerian company, has generated about 7,000 jobs for Zambians (Zambia Development Agency, 2015). Since 2015, Dangote has assumed the position of the fastest growing and leading cement manufacturer in the country, and this has in turn led to price stability and drastic fall in the cost of cement (Phiri, 2017). The construction boom in Zambia has made his investment in the cement industry well-timed and highly lucrative. In Zambia, domestic production and exports of cement (83% of Zambia's cement exports found its way into the DRC) are largely dominated by Lafarge (Fessehaie, 2015). This might have prompted the Dangote Groups to establish a cement manufacturing plant in the country. Aside the attractions of capturing the local markets, the lure of exporting to the Democratic Republic of the Congo was a great motivation.

Conclusion

Across both developed and developing economies, rents and rent seeking have been employed to spur growth and industrialization. What is strikingly different is the nature and degree of its prevalence. The ultimate aim of rent seeking in Africa, particularly in those selected cases and sectors is the growth of the industrial base of a country. As was shown in the article, both the Nigerian and Zambian government conceded many incentives to Dangote. The benefits of industrialization must have blurred other considerations that might be inimical for the economy. Any rent-seeking that results in absolute monopoly might have a debilitating effect on the economy in the long-run. Thus, rent seeking should not be driven by the quest to achieve monopoly of market by a favoured entrepreneur or company. It aimed to promote the local production of goods and services by different investors in the industry in question, who have shown the required discipline, vigour, effectiveness and commitment to the development of their infant industries.

The ultimate goals of rents and rent seeking are: to, fast-tract industrialization, combat foreign monopoly and create competitiveness, which are necessary for the economic development of the concerned societies. Rent seeking should be operative within a clearly defined, accountable and transparent policy environment that enhances the development of local firms that are disciplined, efficient and willing to drive the industrial and developmental agenda of the state in question. Companies like the Dangote Group benefit from rents due to their capacity and display of the discipline required to meet certain criteria for rents. Furthermore, the legal frameworks and conditions under which rents operate must be specific and transparent. The operation of rents must also be subjected to effective monitoring and evaluation. Governments well-disposed to rents must display the capacity to enforce the conditions of rents and curtail its excesses. Therefore, the state also has the responsibility to enforce the development of the institutional capacity required to make rents and rent-seeking successful. African states have exhibited institutional weaknesses; however, many – like Nigeria - have also demonstrated the capacity to distribute rents and enforce the rules of rents and rents-seeking.

State-led industrial growth, driven by rents and rent seeking, is operative in countries where patronage webs are strong, expansive and well-regulated. In the case of Nigeria, the rents have not been properly planned, managed or executed. The Dangote Groups of Company have enjoyed tremendous incentives due to the relationship between the owner, Aliko Dangote, and successive Presidency in Nigeria. His investment in Nigerian politics and support for ruling parties during electioneering enhances his closeness to Nigerian Presidents as well as top political office holders. Making Dangote the sole importer of certain goods in Nigeria (when many other companies have shown the capacity to be involved), fell short of the ingredients of rent seeking. Promoting his quest to become a monopoly in some sectors run contrary to the real intent of rent-seeking. However, in the case of cement, the driving force in the rents granted to Dangote was his strong commitment to the industrial project of the state, coupled with his willingness to meet the conditions of rents and reputation for entrepreneurial skills in other sectors of the economy.

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