MODERN GHANA NEWS

Foreign Aid and Underdevelopment in Africa

The African continent has struggled with chronic poverty and under-development since the advent of political independence more than fifty years, and many Africans view this problem as one of Africa's own making. African development experts and academics have blamed foreign aid for the continued and seemingly intractable development crisis confronting the continent. Africa's war on poverty is perceived as amounting to begging and submissiveness, leading to reforms that have made Africans poorer. The contention among many African experts is that the more the developed north co-operated with the south, the poorer Africa became. And increasingly, even tangible western generosity has failed to impress many Africans. Foreign aid has generally benefited the ruling elites in Africa, by among other things, enabling and perpetuating corrupt governments' hold on power, and by extension, entrenching the pervasive underdevelopment. Over the past five decades, foreign emergency assistance to Africa has helped to avert hardship for many of Africa's poor, but failed to promote any significant economic development. Foreign aid is provided with the conviction that real economic development begins when the emphasis is placed on providing aid to poor rural and urban communities.

Providing assistance to Africa's poor is a noble cause, but the five decades long campaign of aid has turned out to be what one critic called “a theater of the absurd.” To-date, the record of western aid to Africa has been significant, amounting to more than $500 billion between 1960 and 1997, which is the equivalent of four Marshall Plans being pumped into Sub-Saharan African. And today, the national budgets of most Sub-Saharan African countries are dependent on foreign aid for up to eighty percent of the annual budgets. Apart from the relief aid and economic development, foreign aid assistance was also provided to support reforms and policy adjustment programs. And between 1981 and 1991 alone, The World Bank provided $20 billion towards Africa's structural adjustment programs. The purpose of the programs was to make public institutions, government agencies, and bureaucracies in Africa more transparent, effective, efficient and accountable. It is baffling that Africa still suffers from a poverty trap, considering the depth of governments' corruption and the missing billions in export earnings from oil, gas, diamonds and other resources. The idea of foreign aid was compatible with the central theme of economic development, and was accepted as a possible escape from the chronic underdevelopment that is characterized by undeveloped infrastructure and dualistic economies. The persistence of the deplorable economic conditions in Africa has become the primary reason for the relentless search for realistic and durable solutions to the continent's development woes, even as the need for aid is intermittently reinforced by the fact that Africa's underdevelopment is accentuated by periodic global economic recession.

When it was conceived after World War II, U.S. foreign aid was designed to serve two conceptually interdependent, but potentially conflicting set of goals: first, the diplomatic and strategic goals that advance U.S. short-term political and long term strategic interests; and secondly, the development and humanitarian goals that sought a long-term economic growth, political stability, and the short-term alleviation of suffering. The U.S. Foreign Assistance Act of 1973 stressed the need to promote equity, minimum standards of living and per capita growth. Since then, the U.S. foreign assistance statutes have gone through several changes; each with its own objective and some would argue, defined by global politics rather than by any humane consideration. The concept of “Basic Human Needs,” under the U. S. Foreign Assistance statutes, can be seen as paradoxical if one considers the foreign assistance legislation as the expression of the primary function of foreign aid. The position of the U.S. as observed by development experts is that developmental and humanitarian programs received substantial funding only when they coincided with U.S. diplomatic and strategic interests. And despite the massive injection of aid over the past five decades, Africa, rather than achieve economic growth and development, has become more dependent, with standards of living experiencing a net decline. Studies show that there is overwhelming evidence that foreign aid has helped to under-write the misguided policies of the corrupt and bloated government bureaucracies across Africa. The Oxford International Group study revealed that the external stock of capital held by Africans in overseas accounts, was between $700billion and $800 billion in 2005, and nearly 40% of Africa's aggregate wealth was stacked in foreign bank accounts in Europe, United States and Japan. Africa's foreign assistance is significant when we look at the overall economic situation, and African governments have become dependent on aid for the survival of their people and governments.

The concept of aid is relatively new, and it is basically the transfer of resources from the rich countries to poor ones for the purpose of development. Foreign aid is primarily the official government-to-government transfer of financial and technical resources for the programs of social and economic development. The main objective of aid is to produce accelerated economic growth, combined with higher standards of consumption, but as we have seen, aid is very much influenced by prevailing regional or global political climates. Due to political necessities, donors often exert pressure for political and policy reasons, thereby making dependence on aid shaky and unreliable. Additionally, those charged with making decisions on aid allocation, generally do not have a good grasp of issues facing developing and poor countries; consequently, the rationale behind most aid disbursement decisions are usually fraught with poor judgments and inconsistencies. The disadvantages of aid include the fact that funding provided is usually tied to the fact it must be spend in the donor countries regardless of the high cost of goods and services. Rather than create wealth, prosperity and economic development, most Africans have over the past few decades realized a net decline in their standards of living. Research shows that over the period that foreign aid was being pumped into Africa, the per capita GDP declined by an averaged of 0.59 percent annually, between 1975 and 2000. The Heritage Foundation in 1985 concluded that foreign aid is not the answer to Africa's economic troubles; and in fact, the organization maintained that aid was contributing to Africa's underdevelopment woes. It is now a popular belief that foreign aid has been found to do more harm, leading to the situation where Africans have failed to set their own pace and direction of development; free of external interference. The United Nations Conference on Trade and Development admits that aid to Africa has not been successful and despite many years of policy reform, no Sub-Saharan country has completed its adjustment program or achieved any sustained economic growth. Similarly, a Heritage Foundation study found that foreign aid retards the process of economic growth and the accumulation of wealth. The Foundation argued aid dependency pulls entrepreneurship and intellectual capital into non-productive activities, thereby blunting the entrepreneurial spirits of many Africans.

The decades of financial and technical aid transfers to Africa have not fostered economic growth, rather, it has left seventy countries, primarily in Sub-Saharan African, poorer than they were in 1980, and 43 are worst off than they were in 1970. The United Nations Development Program describes the 1980's, the period of highest foreign aid transfer to Africa, as the “lost decade.” Over much of that decade, 100 countries mostly in Africa, suffered major economic decline or net stagnation, and the conclusion is that foreign aid failed to create economic growth in aid recipient countries. The old belief that aid transfer allowed poor countries to escape the poverty trap has been refuted, because research has proved that poverty, contrary to the popular belief, is not caused by capital shortage. In fact, studies show that there is no correlation between aid and economic development, rather, most aid recipient countries have become and remained more dependent of foreign aid. Additionally, a World Bank study showed that food aid budgets in developed nations were mainly guided by prospects for commercial exports of surplus from donor countries, and not determined in accordance with the needs and objectives of recipient countries' to reduce dependence on imported food. Donors reduce food aid budgets when the prospect for commercial exports are good, and increase them when the prospects are poor. A U.S 1997 General Accounting Office report, criticized USAID for having no strategies for the assessment of the impact of its programs in enhancing the food security, and further, the Agency could not determine whether food aid was an efficient means of accomplishing food security goals in aid recipient African countries. Poor policy choices in Africa have caused development there to first stagnate and decline over the past several decades. In 1960, South Korea was as poor as the African countries, but thirty years later, the country was wealthy enough to offer aid to Africa. Altogether, South East Asian countries have achieved phenomenal development in the past five decades, and many have joined the industrialized countries of the world. Critics now contend that foreign aid to Africa must be changed for a number of reasons, but mainly because it has not worked. Further, they argue that most aid initiatives are well thought out, and most of the funding intended for projects, rarely reaches the intended target groups. A study found that in Uganda, less than 30 per cent of the aid earmarked for primary education actually reached the intended schools. The missing funds were stolen, wasted or re-apportioned to priorities identified by politicians or middle level and senior government officials. To address the persistent failure of Sub-Saharan Africa, donors have identified capacity building as the answer to the perennial problem of underdevelopment in Africa. Since 1980, about 4 billion dollars has been spent each year in training, technical assistance and institutional strengthening capacities in Africa.

More than six decades of foreign aid has not changed Africa's latent capacity, moreover, professionals from around the continent are leaving for other countries in the west at an alarming rate. Today, many aid agencies are acknowledging that there is greater pressure to commit money grandly than to spend it wisely in Africa. In 1976, Tanzania began the $220 million Mufundi paper mill factory project financed by the World Bank. The project turned out to be a total failure, yet for twenty years, Tanzanians paid the bill for that ill-thought out experiment. In the early 1990's, the UNDP spent $900,000 over a three year period trying unsuccessfully to show farmers in north-east Ivory Coast how to cultivate onions. Meanwhile, 90 miles north, in neighboring Burkina Faso, the farmers there were growing onions profitably under similar agricultural conditions, but without any foreign aid. A World Bank finding on food import into Somalia in 1998 concluded that aid had methodically undermined Somalia's civil society. Somalia had become more dependent on imported food than any other country in Sub-Saharan Africa. The report noted that until food aid began to arrive in Somalia, the economy was predominantly an agricultural and pastoral economy. And up until the early seventies, Somalia was self-sufficient in food grains production; however, Somalia's share of food imported in total volume of food consumption rose from less than 33 per cent in 1979 to over 63 per cent in 1984. This sea change ironically coincided with the period of highest food aid distribution to that country. By increasing the supply of food aid, Somalia's domestic food prices were dampened, and the prices of local food crops were prevented from rising, thus reducing the incentives for domestic food crop producers. This exacerbated Somalia's food deficit. Mismanagement and corruption in the administration of food aid distribution in Africa is pervasive, in the absence of efficient and accountable institutions to oversee and institute fair and just aid distribution practices. But, critics of aid say donors are also complicit in the failure of aid distribution in Africa, as there are no effective monitoring mechanisms, and this gives the politicians and bureaucrats the opportunity to rob what is intended for the people. A former U.S Ambassador to Ghana, Edward P. Bryan, admitted that foreign donors have allowed what he describes as “a small, clever class that inherited power from the colonial masters to take us to the cleaners.” It will take a lot of resources and time to turn Africa around. In March 1990, a Paris daily, Le Monde wrote, “Every franc given to impoverished Africans, comes back to France or is smuggled into Switzerland by

African bureaucrats and politicians." And critics contend that donor agencies knew or should have known the motivation and activities of corrupt African leaders who spirit away billions into Swiss Banks and other western bank accounts. Even famine relief aid is not spared. As early as the late 1980's, a former head of Medicine Sans Frontiers, Dr. Rory Branman, lamented the failure of aid to Africa, saying, "We have been duped." The Western governments and humanitarian groups", he said, have "unwittingly fueled and are continuing to fuel an operation that will be described in hindsight in a few years' time as one of the greatest slaughters of our time." The World Bank admitted that in most cases Western donors knew that up to 30 per cent of the loans to African countries and governments went directly into the bank accounts of corrupt officials, yet The Bank considered these officials and their governments as partners in development.

But, foreign aid is full of ambiguities and double bottoms. It does not fit neatly into any one of the three ways people are said to go about their material transaction; i.e; coercion, exchange and gift giving. Because it is tied with geo-politics, trade and banking, foreign aid cannot be classified purely as gift-giving. During its first four decades, victory in the Cold War was the compelling and pre-eminent drive in the regime of aid giving. Today, experts have identified the predominant motives for aid giving as strategic socio-political, mercantile, and humanitarian and ethical. Official aid is seldom the tool of altruism alone, because the direction of foreign aid is dictated by political and strategic considerations, much more than the economic needs and policy performance of the recipient. However, the motives behind aid never come in fixed and stable proportions. Perhaps the one safest generalization to make is that foreign aid, when used alone or in combination with other policy instruments, has a unique ability to allow the donors to demonstrate compassion, while simultaneously pursuing a variety of other ulterior motives and objectives. In the U.S, the realization that aid has failed to provide economic growth and development over several decades, prompted the U.S. Government to try different ways of administering its foreign aid. Officials in the Reagan administration promoted direct local participation in the planning, implementation and overall control of projects. And USAID further made efforts to recruit in-country field staffs that are experienced in and sensitive to Africa's development processes and institutions. U.S. government officials recommended that Congress monitor the activities of USAID, but without getting involved in any of the operational decision-making. Yet, this did not address the goal conflict that has created the paradox of foreign aid. Countries receiving foreign aid in amounts that are sufficient to stimulate development along the lines of Basic Human Needs mandate, are precisely the countries that are important to the diplomatic and strategic goals of the United States. A Cato Institute study found little evidence that better targeting and management enabled foreign aid to achieve self- sustaining growth in poor African countries. Additional, the U.S. Congressional Budget Office warned that aid can inhibit the commitment to reforms of even the more responsible African governments, and without reform, aid can reinforce policies that do not further development. The failure of Africa's development assistance has allowed poor countries to delay reform, thereby worsening the underlying problems. Empirical evidence suggests that the greater a country's dependence on aid, the worst the quality of its public institutions. Poverty is a justification for aid, but it is seldom the main criterion used for allocating it.

The public image of foreign aid is of Western beneficence; nevertheless, studies show in some cases, foreign worker remittance to their countries of origin far exceeds the annual aid transfers from some European countries. In 1998, the officially recorded remittance from the Netherlands to forty-two low-income developing countries exceeded U.S. $1 billion; a sum equivalent to 115 percent of Dutch aid to those countries. In the non-oil producing countries in Africa, trade losses between 1970 and 1997, represented almost minus 120 % of GDP. Ironically, the World Bank estimates that the purchasing power in those African countries would be considerably lower in 2010, than they were back in 1997. Foreign aid serves a useful purpose when it is provided to alleviate temporary hardship as in cases of natural disasters such as droughts, but, experience in Africa has proved that aid recipients could easily construe foreign aid as a substitution to their own productivity. Across the continent, food aid has suppressed food production, undermining the prices of local produced foods. Agricultural production has declined significantly, as farmers migrate to urban centers to create a shortage of farm workers and exacerbate food production deficit. A mentioned earlier, a major debilitating by-product of foreign aid to Africa is the culture of corruption that has taken root at every level of every government. Today, corruption has become the way of life in every country in Sub-Saharan Africa, and the theft, bribery and embezzlement of aid, and other government resources are so endemic, they are not considered as crimes. African politicians and government officials have engaged in corruption practices, and a 2004-2005 World Bank Report showed that $148 billion were embezzled out of Africa by politicians and bureaucrats; a significant amount of it being aid and loans earmarked for development activities to benefit Africa's poor. Without transparency, accountability, and good governance, Africa's future will continue to remain bleak.

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