Foreign Aid, Democracy, Human Rights and Good Governance: Issues and Prospects in Africa

Sesan A. Peter, Ph.D & Peter-Crown Duru, Ph.D

Introduction

Overdependence on aid has made some African countries to remain under-developed. It makes recipient governments accountable to their donors rather than to their electorates. Aid distorts the economy of the recipients. During the Cold War, foreign aid often propped up dictators and authoritarian regimes, thus discouraging or even preventing democratic rule. Since 1990, however, aid has often promoted and rewarded democratization both in Africa and world over. The collapse of the Soviet Union and the concomitant demise of communism in 1990, however, a spirit of triumphalism swept through the West. The euphoric impression was as if "history had finally ended with the universal victory of Western liberal democracy as the final form of human government."[1] The postCold War era, therefore, offered the West, especially the United States, a unique historical opportunity to impose its political and

1. Fukuyama, F., "The End of History?" National Interest, 16 (1989): 318, as cited in Randall Schweller, "Democracy and the PostCold War Era," in The New World Order: Contrasting Theories, ed. Birthe Hansen and Bertel Heurlin (London: Macmillan, 2000), 46.

economic values across the globe with Africa as a prime target. Western democracy and democratization became the precondition for African countries that sought foreign aid and loans, especially from the International Monetary Fund (IMF) and the World Bank, in order to redress their dire politico-economic crises.[2] This "marriage of economic 'perestroika' and political 'glasnost'," as Paul Zeleza describes it, "seemed so radical, so new" in the emergent world order.[3] This means that bilateral relations were strictly based on ideology rather than human concern.

The critical dynamic for democratization, according to Richard Joseph, it involves the "domination of the world economy by the market-oriented economies, the geostrategic hegemony of western industrialized nations, and direct or indirect external pressures for democratization."[4] On the other hand, the end of the Cold War "opened up domestic spaces for democratic politics in many African countries" and the implementation of the "iron fisted structural adjustment" of the donor agencies provoked popular resistance and democratic movements.[5] Realizing that regimes they had previously backed were standing on shaky ground, the West and its donor agencies had to make sharp turns in their policies to curry favor with the new democratic movements. Thus, the role of Africans in pushing for democratization based on their local conditions, a phenomenon they referred to as the "second independence," should not be overlooked in any analysis. However, most of Africa's problems are internal, not external, and concern domestic policies and institutions. Although the internal problem could be externally driven but it is on record that what beclouded Africans were internal issues. Until those internal problems are addressed, no amount of Western assistance will bring Africa out of poverty. In fact, Western assistance could postpone much-needed reforms in the way that African countries are governed.

Africa is a large and diverse continent comprising 54 countries. The continent is divided into Southern, Eastern, Western, Northern and Central Africa. Each of those countries faces unique challenges that may indeed require different policy and political interventions.

---

2. See Jean-François Bayart, et al., The Criminalization of the State in Africa (Bloomington: Indiana Univ. Press, 1999), 23; Bessie House-Soremekun, "Democratization Movements in Africa," in Africa, vol. 5, Contemporary Africa, ed. Toyin Falola (Durham, N.C.: Carolina Academic Press, 2003), 320; and Yohannes Woldermariam, "Democracy in Africa: Does It Have a Chance?" in Comparative Democracy and Democratization, ed. Howard J. Wiarda (Fort Worth, Tex.: Harcourt, 2002), 144.
3. Paul Tiyambe Zeleza, "The Democratic Transition in Africa and the Anglophone Writer," Canadian Journal of African Studies 28, no. 3 (1994): 476.
4. Joseph R., "Democratization in Africa after 1989: Comparative and Theoretical Perspectives," Comparative Politics 29, no. 3 (1997): 373.
5. Zeleza, Op Cit "The Democratic Transition in Africa and the Anglophone Writer," 47677.

Therefore using a blanket policy for them may not meet the yearning and aspiration of the people. However, the current obsession with increasing aid and debt cancellation ignores many of the difficulties that most African countries share.

Less than half of the world population is living under total or partial democracies. But in Africa, only nine of the 53 countries are at best flawed democracies while 31 of them are authoritarian regimes.[6] Because democratic institutions, which provide checks and balances on elected officials, are prone to decline corruption (see, for example, Bhattacharyya and Haodler),[7] improving political institutions may be an effective tool in the global fight against corruption in developing countries. Foreign aid donors have become more closely involved in the development of democracy since the nineties.

Since 1990, however, aid has often promoted and rewarded democratisation. Though tying foreign aid to political reform is not always successful, it can be very effective in facilitating a move from a one-party state to a multiparty system, albeit not necessarily a full transition to democracy.[8] More often than not, it fails outright or results in an incomplete transition. In an era when the gap between the demand for and the supply of global governance is growing, it is increasingly urgent that established and emerging democracies find common ground on norms and delivery of global public goods, especially on democracy and human rights issues. There is cause for optimism: Rising democracies like India, Brazil, South Africa, Indonesia, and Turkey are embracing democracy and human rights at home and to varying degrees promoting them in their neighborhoods. But they are not yet stepping up to address the gap on these and other issues in global governance internationally. Why do these efforts, for the most part, produce disappointing results? Should foreign donors increase aid funds in order to promote democracy? Or is corruption and lack of accountability truly the major constraint? These and many more would be addressed in the course of this paper.

---

6. See the Economist Intelligence Unit report http://graphics.eiu.com/PDF/Democracy_Index_2010_web.pdf
7. Bhattacharyya, S. and Haodler, R. "Natural resources, democracy and corruption". European Economic Review, 54(4), 2010. pp. 608621.
8. By transition, I mean the process of moving from an authoritarian to a democratic system. If free and fair elections are held and the winner assumes office, a full transition to democracy has occurred. If the process falls short of that, the transition is partial or stalled, allowing for a multiparty system to be in place without it qualifying as democratic. Political conditionality refers to the strings attached to foreign aid, making it dependent on political liberalisation. Consolidation is a far more nebulous term and can include long-term survival of democracy, its process of deepening and widening, or its transformation into the 'only game in town'.

Conceptual Definitions

Aid, accountability and good governance

Aid has served as means of collaboration between the donors and the recipients'. That is between the developed and the developing countries, only the stronger economies or organizations can offer assistance to the weaker states in order to strengthen their ties with or without conditionalities. This largely depends on the term for which the aid was given and its implementation. It was discovered that the recipients were not using the monies for the purpose which they agreed on, corruption began to set in, accountability became scarce, this made the idea of good governance to become prominent in the terms of the donors agencies to the recipients that must give a detail accountability to the donor agencies. In the past aid were given to some war turn states to help them build their economies but today new dimensions of assistance is needed such as victims of armed conflict, terrorism natural disasters like the flood currently ravaging some states in Nigeria and a host of other African states who are in dire need of aid for one thing or the other.

What then is good governance?

The World Bank came up with this definition of governance in 1989 in the context of the exercise of political power in relation to the management of a country's affairs. The huge debt crisis, mainly in Central America and to some extent Africa, caused the Bank to take an increased interest in the political and institutional environment before granting credit facilities. The World Bank report on Africa, 1989 argued that underlying the litany of Africa's developmental problems was a crisis off governance, epitomized by the notion of "failed States" as exemplified by such countries as Somalia, Sierra Leone, Liberia and Zaire (Now the Democratic Republic of Congo).[9]

The notion of good governance is relatively new. It surfaced in 1989 in the World Bank's report on Sub-Saharan Africa, which characterized the crisis in the region as a "crisis of governance".[10] It then represented an important departure from previous policy, prompted in large part by the experience in Africa. The main thrust behind its introduction in the Bank's corporate policies resides in the continuing lack of effectiveness of aid, the feeble commitment to reform of recipient governments and the persistence of endemic corruption in developing countries.

In the view of World Bank, the market reform policies it recommends rarely work and

---

9. World Bank Report, Washington D.C (1989).
10. World Bank Report: From Crisis to Sustainable Growth. Washington DC; 1989. Print

have achieved very little because these policies fall on institutionally barren grounds and are stalled by internal bottlenecks and political ineptitude in terms of governance. This is because the recommendations of the World Bank slightly rest on institutional policies rather than governance in its entirety. In other words, the poor performance of Structural Adjustment Programmes (SAPs) is largely caused by lack of good governance. In the words of the Bank:

> *Underlying the litany of Africa's development problems is a crisis of good governance. By governance is meant the exercise of political power to manage a nation's affairs. Because countervailing power has been lacking, state officials in many countries have served their own interest without fear of being called to account. In self-defence, individuals have built up personal networks of influence rather than hold the all-powerful state accountable for its systemic failure. In this way, politics becomes personalized and patronage becomes essential to maintain power. The leadership assumes broad discretionary authority and losses its legitimacy, information is controlled and voluntary associations are co-opted or disbanded. The environment cannot readily support a dynamic economy.*[11]

The World Bank therefore argues that adjustment alone cannot put Africa on a sustained poverty-reducing path, but it must be complemented with institution building and good governance.[12] Germane to the concept of good governance by the World Bank are the issues of public accountability of government officials, transparency in government procedures, rule of law and public sector management.[13] The process of evolving good governance in Africa according to the World Bank requires the shrinking of the state and engendering support for non-state actors (civil society). Following the footpaths of the World Bank, the donor agencies-multilateral and bilateral-have incorporated the demand for good governance in their aid policies and development cooperation agenda in Africa. These include the O.E.C.D (Organisation for Economic Cooperation and Development),[14] and

---

11. World Bank, Sub-Saharan Africa: From Crisis to Sustainable Growth. Washington DC; 1989 pg 60-61. Print
12. World Bank, Adjustment in Africa: Reform, Results and the Road Ahead. Washington, DC 1994 p 2. Print
13. Olukoshi, Adebayo, The Work Bank, "Structural Adjustment and Governance in Africa, Some Reflections", Nigerian Journal of International Affairs, 1992 p 2. Print.
14. Report of Organisation for Economic Cooperation and Development, (OECD) 1994. Print

private agencies like the Ford Foundation[15] and the Carter Center[16] in the United States, with the emphasis of the latter two, on supporting civil associations and non-state actors in Africa.

Good governance refers broadly to the exercise of power through a country's economic social and political institutions which represent the organisational's rules and routines formal laws and informal norms that together shape the incentives of public policy-makers, overseers and providers of public services.[17] Governance in Nigeria for instance, dates back to the colonial period. However, good governance is a much recent and novel idea of democratic governance that found expression in the detailed provisions of the Nigeria Constitution of 1979 that contained the Fundamental Objectives and Directive Principles of State Policy. Good governance became the reducible criteria for assessment of government under the Constitution of the Federal Republic 1999 (as amended), due to the negative effect of military rule, the activities of civil society and the pressures of international financial institutions such as the World Bank, IMF and UNDP.[18]

Good governance is, among other things, participatory, transparent and accountable, effective and equitable, and it promotes the rule of law. It ensures that political, social and economic priorities are based on broad consensus in society and that the voices of the poorest and the most vulnerable are heard in decision-making over the allocation of development resources.[19]

Another point to note is that democratic governance and human right are intertwined because without democratic governance there can be no respect for human rights norms, as a result human rights has been authoritatively enshrined in the International Bill of Human Rights, provide a set of performance indicators or standards against which governments and other actors can be held accountable.[20] As the Office of the United Nations High Commissioner for Human Rights reminds us:

---

15. Ford Foundation , Annual Report 1990, Ford Foundation New York. Print.
16. Carter Center of Emory University, Africa Governance in the 1990s: Objectives, resources and Constraints, Atlanta, Georgia; Carter Center., 1990. Print.
17. Governance for Sustainable Human Development, A UNDP Policy Paper, UNDP 1997 p 2 3 For global perspectives on Governance see: (i) UNDP at http://magnet.undp.org/policy/default.htm.; (ii) Commission on Global Governance at http://www.cgg.ch/welcome.htm; and (iii) World Bank at http://www. world bank. Org/publicsector/overview.htm 12/2/2009.
18. Nwabueze, Ben. O, Constitutional Democracy in Africa Volume 4 (Ibadan: Spectrum Books,2005). Print.
19. Abdellatif, Abdel M., "Good Governance and its Relationship to Democracy and Economic Development" a paper presented at the Global Forum III on Fighting Corruption and Safeguarding Integrity, Seoul 20 31 May 2003. (GF3/wa/iv 3/S1). Pp. 4 - 6.
20. United Nations, Commission on Human Rights: "The role of good governance in the promotion of Human Right" Resolution identifies a set of good governance principles (transparency, accountability, participation and responsiveness).

Good governance promotes human rights in a number of ways. It encourages public participations in government, inclusion in the law-making and policy-making, and accountability of elected and appointed officials. It enables civil society to become actively involved in policy making and leads to the wide representation of societal interests in decision-making. In this manner, disadvantaged groups, including women and minorities, are empowered to defend their rights. The result may be laws and policies that better respect cultural diversity, contribute to the resolution of conflicts and tensions, and address the challenges of inequality and poverty.[21]

Only United Nations made reference to those prescriptions as basic norms to the actualization of good governance, because if a state adhere to Human Rights in its entirety it goes a long way in taking along other attributes prescribed by UN. Therefore, there can be no good governance without other attributes including human rights.

The Bretton Wood institutions are not the only ones demanding conformity to international best practice on good governance. Western governments and donor agencies are also increasingly employing the concept of good governance and the benchmark encapsulated therein in the sphere of development assistance and donor programmes. As the United Nations Secretariat has observed:

In today's aid climate, it is generally accepted that it is legitimate for donors to require some assurances when they provide financial or technical assistance; they are accountable to their domestic constituencies and parliaments and need to make that the resources they provide are best used.[22]

Accountability is an element of legitimate government; non democratic governance is not responsible to its citizens and therefore, does not accountable to the people but to a clique of people who brought him to power through other means other than legitimate means.

In a similar vein, Wohlmuth[23] tries to differentiate between governance and good governance, he said good governance is an attribute of governance those ingredients that

21. Office of the High Commissioner for Human Rights "Good governance practices for the protection of Human Rights" New York (2007) 9. Print.
22. UN, Note by Secretariat p. 11.
23. Wohlmuth, K., Op Cit p18.

would make governance effective is good governance. He went further to say good governance is an attribute of multiparty democracy, in his words he emphasized on the prescriptions embedded in the United Nation as a necessary prerequisite to good governance to survive in any society.

Democracy and Its Place in National Interest Vis-a-vis Aid

In the modern era, peace generally reigns amongst democracies. Democracies also perform better than non-democracies at economic development, and democracy, economic development, and regional integration work hand-in-hand to promote peace and stability. Non-democracies are more likely to be failed states spawning internal or external conflict. It would be expected, therefore, that democracies would identify the spread of democracy as in their national interests and would partner on certain issues, such as support for democratic transitions, human rights and rule of law and a host others. A state's designation as a democracy or non-democracy, however, is not necessarily a good predictor of foreign policy alignment. While there is strong convergence on the fundamental principles of human rights, emerging and established democracies favor very different methodologies for addressing threats to such core values, resulting in divergence of policy, politicization and stalemate, as in the case of Syria and other Arab world currently.

There was consensus that democracy cannot be imposed by external actors, but rather must be pursued organically by a population. It is a path, not a destination. Similarly, countries formulate and express democracy differently based on their unique histories; there is no single model of democracy. This is one of the fall-outs of democracy when it is imposed without considering the historical and cultural antecedent of such state. Aspiring democratic countries seeking advice from other democracies are increasingly turning to states that have undertaken their own transitions more recently, and they, in turn, are responding positively if and when asked to assist. In fact, the "twinning" model of pairing newer democracies with transitioning states is being prototyped by the Community of Democracies through its project pairing Poland with Moldova, and Slovakia with Tunisia. The G8 has arranged similar pairings through the Deauville Partnership with Arab Countries in Transition, which links leaders in aspiring democracies with G8 partners to build institutional capacity, promote knowledge sharing, and strengthen accountability and good-governance practices. In addition, rising democracies like Indonesia and South Africa have been key players in establishing and utilizing multilateral fora like the Bali Democracy Forum and the African Peer Review mechanism to share experiences and best practices in this domain. This they believe can help to mentor the newer democracies on the path of development, good governance and accountability as the fulcrum of democracy.

African countries have continuously expected to use foreign aid to fill the gap between the domestically available supplies of savings and the level of these resources necessary to achieve investment targets and growth or to fill the gap between targeted foreign exchange requirements and the revenue derived from net export earnings plus foreign private investment. Since the majority of these countries have barely any savings, in view of their very small earnings from exports of just a handful of primary commodities[24] and the lack of foreign private investment in the region, these gaps are usually very wide, therefore encouraging a greater dependence on foreign aid.

A common neoclassical argument for foreign private investment or foreign aid is that an inflow of foreign capital in the form of either of these two can, besides alleviating a significant portion of the deficit in the current account of the balance of payments, also help to remove that deficit over time if the foreign-owned enterprise can generate a net positive flow of export earnings or if the aid flows of financial resources are properly used to generate further revenue.[25] Unfortunately for African countries, private capital, especially in the form of foreign private investment, moves towards the countries and regions with the highest financial returns and the greatest perceived safety, both of which are perceived by investors to be lacking in Africa. Equally unfortunate for Africa is that the availability of foreign aid discourages indigenous entrepreneurial initiative, weakening the necessity for these countries to outgrow aid dependency. The aid donors also use their economic power to influence the policies of recipient African governments in directions unfavourable for development. Often, they tie aid, especially soft loans, to their exports, as a result saddling the recipient African countries with substantial debt repayment burdens that exhaust their meager development resources[26] and further exacerbating their dependence on aid. Relying on donor countries and organisations is tantamount to accepting involvement by powerful international organisations that often tamper with the sovereignty of national governments and the autonomy of their domestic institutions. Such donors are reluctant to finance development projects if they are not allowed some degree of influence in the region concerned.[27] They also adopt a strategy of aligning with despotic governments, especially in

24. Sandbrook, R, Economic crisis, structural adjustment and the state of the sub-Saharan Africa. In Ghai, D (Ed.), The IMF and the South (the social impact of crisis and adjustment). (London & Atlantic Highlands, New Jersey: Zed Books, 1991) pp. 95114.

25. Todaro, M.P, 1994. Economic Development, 5th edn. (New Jersey & London: Longman 1994) p. 531-2

26. Osei, B, How aid tying can impose additional cost on aid recipients: evidence on Ghana. African Development Review, 17(3): 2005. 34865.

27. Ilorah, R, NEPAD: the need and obstacles. African Development Review, 16(2): 2004. 22351.

the former colonies, in exchange for raw materials.[28]

American aid programs aimed to promote economic growth and greater equity through democratic rule, though actual democratic requirements were not usually emphasised. As a number of cases in Latin America illustrate, this did not preclude extending support to brutal non-democratic regimes. American foreign aid during the Cold War was more anti-communist and anti-revolutionary than it was prodemocratic. US president Jimmy Carter officially adopted a human rights-based policy in the late 1970s, but it was 'partial' and ineffective, quickly subordinated to other priorities, which it often contradicted.[29]

For other donors, notably the Western Europeans, Cold War considerations were less central. France and Britain, for example, maintained important commercial and financial ties with their former colonies, largely independently of ideology (though this generally kept recipient countries pro-Western). Indeed, France almost always supported sometimes militarily the autocratic rulers of its client states, regardless of domestic governance issues. The Nordic countries and the Netherlands' aid programs were motivated more by social and humanitarian priorities. A few countries, starting with some Scandinavian ones in the 1970s, did officially link aid to human rights concerns. However, such support was often more rhetorical than financial, as the recipients and levels of aid indicated that human rights remained a low priority.[30] For the bulk of bilateral aid, recipients were chosen and rewarded mainly using Cold War considerations. In practice, foreign aid was often inimical to democratisation by supporting military and civilian autocracies. In the 1990s for instance Development agencies earmarked sizeable funds specifically to promote democracy. For example, USAID budgeted a record $637 million for democracy assistance in fiscal year 1999, of which $123 million was for Sub-Saharan Africa.[31] Since democratisation became so central to donor discourse, it is all the more important to evaluate its effectiveness.

The Downside of Africa's Dependence on Foreign Aid

Aid distorts African priorities. Although it is typically well under half of a recipient government's budget, it is a crucial part, and it is conditional on wider government policies

28. Van De Laar, A, The World Bank and the poor. (Boston/The Hague/London: Martinus Nijhoff, 1980). P. 80.
29. Carothers, T. 1999, Aiding Democracy Abroad: The Learning Curve, (Washington, DC: Carnegie Endowment for International Peace, 1999) p. 29.
30. Gillies, D., 1996, Between Principle and Practice: Human Rights in North-South Relations, Montreal, Kingston, ON, (London and Buffalo, NY: McGill-Queen's University Press, 1996). See also Mushi, S. S., 1995, 'Determinants and Limitations of Aid Conditionality: Some Examples from Nordic-Tanzanian Co-operation', in Olav Stokke (ed.), Aid and Political Conditionality, London: Frank Cass, pp.22549.
31. Carothers, Op Cit

and reforms. This means that a recipient must adjust its overall priorities to suit the donor agenda. Moreover, aid fashions change fast, so that what has been required one year may be reversed the next. Aid flows have been unpredictable (and generally shrinking over the last 20 years), so that the IMF until recently advised recipient governments not to include development aid in their fiscal projections. Aid is becoming more consistent a fact that ironically shows up the fundamental volatility of African economic performance.

Most seriously, aid undermines the leverage of the African taxpayer and voter. If aid donors pay the bills, a government needn't listen to its electorate. It is striking that the two most democratic governments in sub- Saharan Africa are South Africa and Somaliland. South Africa's democratic culture is well-known and much admired. It is based on a non-rentier state, financed by a strong domestic economy.

Aid dependency revises lines of accountability, outwards to donors. It creates opacity, removing key aspects of government functioning from popular scrutiny. Voters may replace a head of state and his ministers, but on taking office the new executive finds its hands tied by its foreign financiers. Small wonder that democratic debates focus on issues marginal to national destiny such as personal morality and on inter-group competition for getting a slice of the aid cake.

Foreign aid includes debt cancellation, emergency relief assistance such as temporary shelters, food and medicine for victims of natural and man-made disasters, outright grants and soft loans for economic programmes and projects and implicit capital transfers or disguised flows such as the granting of preferential tariffs by one country to another's exports, thereby permitting such exporters to sell their products at higher prices than would otherwise be possible.[32] It also includes post-conflict peacekeeping assistance and technical cooperation.[33] Each of these has different effects on the economy. For example, expenditures on technical cooperation do not always directly benefit the recipient economy to the extent that they defray the costs incurred outside the economy on the salaries and benefits of technical experts and the overhead costs of firms supplying technical services.[34] Generally, though, the revenue from foreign aid is supposed to fill recipient countries' savings - investment gap or their foreign exchange trade gap.

A savings - investment gap is the difference between the amount saved by a country and the amount it requires for investment and a foreign exchange - trade gap is the difference

---

32. Todaro, Op Cit. See also Harsch, E, Focusing aid on Africa's own priorities. Africa Renewal, 19(2), 2005.1517.
33. WORLD BANK, World development indicators 2006. Washington, DC: IBRD/The World Bank, 2006. P. 361
34. Ibid.

between the country's foreign exchange requirements and its actual trade-generated revenue. Explained in a two-gap model,[35] the basic argument is that most developing countries face a shortage of either domestic savings to match investment opportunities or foreign exchange to finance imports of capital and intermediate commodities. The model assumes a lack of substitutability between savings and foreign exchange, their associated gaps being unequal in magnitude. It implies that either of the two gaps must at any point in time dominate the other for a given country. A country with a dominant savings gap operates at full employment but lacks private savings. The country's excess foreign exchange, including foreign aid, could be used to purchase productive resources as long as it does not rely on economic agents who would rather divert their purchasing power into consumption goods.

Should the foreign exchange gap be dominant, as is often the case for most developing countries, implying excess productive resources such as labour but shortage of foreign exchange, these countries could undertake investment projects with the assistance of foreign aid in the form of either external finance to import capital goods or direct technical assistance. It is generally assumed that the impact of foreign aid in the form of capital inflows will be greater where the foreign exchange gap rather than the savings gap is dominant. In practice, however, the allocation of foreign aid, particularly bilateral aid, to poor countries is rarely determined by the relative sizes of their savings - investment and foreign exchange - trade gaps, which by implication means a neglect of the relative needs of these countries. Most bilateral aid policies are rather largely based on political and military considerations and the ad hoc judgements of donor decision makers. For example, the bottom ten less developed countries with 72 per cent of the world's poorest people receive only 27 per cent of aid and countries that spend more on their military (over 4 per cent of gross national product) receive twice as much per capita as countries that spend much less.[36] In many cases, foreign aid has merely helped to prop up corrupt governments and violent and exploitative rebels and generally nurtured a welfare mentality.[37]

Aid and African States

During the Cold War years, donors from the West, including its big business, had, through aid, encouraged repressive African regimes, such as Mobutu Sese Seko's Zaire (the present

35. Todaro, M.P & Smith, S.C, Economic development, 9th edn. (Harlow: Pearson, Addison Wesley, 2006) p. 724-6
36. Todaro, op Cit p. 540.
37. Easterly, W, The elusive quest for growth: economists' adventures and misadventures in the Tropics. (Cambridge, MA: MIT Press, 2002).

Democratic Republic of Congo (DRC)), Arap Moi's Kenya, Jerry Rawlings's Ghana, Kamuzu Banda's Malawi, Emperor Bokassa's Central African Republic and Nigeria under successive military regimes, as long as these regimes remained anti-communist. In the same power tussle, the communist Soviet Union, also through aid, held on to regimes in countries such as Ethiopia, Mozambique, Somalia and Angola, as long as they remained anti-West. Regardless of what governance these regimes practised and how their aid monies were spent, their loyalty to donors determined the development assistance they received.[38] In theory, these countries have, with the exception of Somalia, adopted democratic processes to elect new leaders. Nevertheless, even the democratised ones have yet to extricate themselves fully from the legacies of their past. These countries and many others on the continent continue to ignore the transitory nature of foreign aid. They fail to use the time during which it is available to reflect collectively and address the domestic constraints (such as lack of good planning, education and investment in technology) effectively. This prevents the region from taking advantage of global trade opportunities. These countries still clamour for aid, but the post-Cold War period has seen changes in aid policies, with aid monies earmarked mainly for debt relief and emergency relief assistance. These still constitute, however, a sizeable share of recipient countries' gross national income and domestic investments (gross capital formation).

The often-common rhetoric from donors is that greater aid to Africa breeds corruption, implying that African institutions have a limited capacity to manage any substantial aid effectively. This frequently echoed sentiment is channelled to every sub-Saharan African country, including those that ordinarily may not need foreign aid. The sub-Saharan countries are perceived as the same by the rest of the world, especially in terms of culture, unsuitability for foreign investment and dependence on aid.[39] According to the World Bank, sub-Saharan Africa is a high-cost, high-risk place to do business compared with other developing regions. The effect of this perceived unattractive business climate is that aid remains the largest source of external finance for countries in the region. One must wonder, though, how long Africa will remain dependent on foreign aid and what the continent should do to extricate itself from the 'aid trap'.

A Marshall Plan for Africa

Current development needs in Africa can be compared to the redevelopment needs in Europe in the late 1940s and 1950s. European leaders, after the widespread destruction of

---

38. Enoki, Y, NEPAD, as viewed through G8 eyes. Africa Insight, 32(3): 2002. 626.
39. Ilorah, R, NEPAD: the need and obstacles. African Development Review, 16(2): 2004. 22351.

World War II, used aid-resources that were available under the Marshall Plan to rebuild their ruined economies and to create new opportunities for growth. The success of aid-based development in Western Europe brought a new vision of the importance of aid-resources for economic development in the rest of the world, especially as a means to support LDCs in Africa. As a result, industrialized countries poured money into LDCs in the 1970s.[40] Despite this, the aid received from Industrialized Countries did not help African countries as significantly as it helped post-war European nations. Post-colonial efforts to introduce democracy and sustainable growth in Africa have often failed. A few successes include South Africa, Mauritius, and Botswana. At the other extreme, however, are a number of countries that have been deemed abject failures, including Liberia, Sierra Leone, and Somalia.[41]

The simple reason for failure is that much of the aid-money received in Africa was misspent or redirected, often flowing into the hands of the ruling elites. Essentially, the governments of African countries have continuously failed to bring systematic economic changes because of domestic corruption and internal policy choices. In Liberia, for example, a new government was formed in 2003 after 15 years of war. Former militia members and warlords constitute a large portion of the new leadership. Despite the presence of a large U.N. peacekeeping mission, the regime is widely judged to have failed to reconcile the country, and repeatedly have chosen actions for personal gain at the expense of the country's future. This is a prime example of human factor decay; "attitudes, behaviors, and actions that are contrary to principle-centeredness, moral injunctions, and ethical standards."[42] Institutional performance will not improve, despite the best intentions of the West, without positive human factor development to support the ideals of equality, honesty, and integrity.

The Nature of Foreign Aid to Africa

The nature of foreign aid to Africa has been quite different from that provided by the Marshall Plan for Europe in terms of its volume, nature, and strategic plan. African governments have received aid in the form of humanitarian relief following natural disasters, and economic and military aid. Support for human factor development has not been prominent.

The types of aid offered to Africa do have merit and are designed to accomplish specific

40. Hellinger, S., Hellinger, D. and O'Regan, F. 1988. Aid for Just Development. (Boulder, CO: Lynne Rienner Publishers, 1988) p. 13-25.
41. Ellis, S. "How to Rebuild Africa." Foreign Affairs, 85 (5): 2005. 135-148.
42. Adjibolosoo, S. "Responding to a Plethora of Views Regarding the Human Factor Theory: A Friendly Dialogue with Colleagues." Review of Human Factor Studies, 10 (1): 2004. 14.

goals. For example, Scandinavian countries mostly give aid to African countries for disparity purposes assuming that aid is a necessary tool to rectify the economic inequality between the Northern and Southern hemispheres.[43] Scandinavian aid is generally provided directly to an African Government Organization (GOs) or Non Governmental Organizations (NGOs) - often the missionaries - who help build schools and clinics for rural communities in Africa. Unlike the Marshall Plan for Europe, the resources allocated to Africa have not generally been directed to help create managerial capabilities or technical and vocational skills for the local economy.

Instead, aid has helped to produce many intellectual elite. In poor countries, the goal of education and spending should be to improve human capital and build institutional capacity that serves economic development. In Africa, however, the common result of educational aid is merely the production of local elites who run the state machinery and military institutions, with few benefits to poor rural communities.

In recent decades, aid from the United Kingdom, the United States, and other Western countries to Africa has required conditions such as promoting human rights, economic liberalization, democratization, and women's rights. These conditions placed on African governments to qualify for aid are much more subjective compared to the conditions required of European countries after WWII. Their subjective nature makes attainment harder to measure. As a result, donor countries are unable to enforce the desired conditions and aid is often deemed ineffective. This type of aid concentrates on the desired output and not on developing the human factor inputs necessary to achieve lasting change.

Aid versus Development

The strongest argument for aid is its urgent life-saving character. Emergency aid, including food relief, is a substantial part of official development assistance it hovers at about one quarter of Overseas Development Assistance to Africa, and substantially more if we include HIV/AIDS treatment programmes. But the status of emergency relief is low, and its officials are typically tucked away in an under-appreciated corner of the office, on a career cul de sac. The World Bank doesn't do emergencies at all. In textbooks on economic growth and development, there is barely a nod to humanitarian response, twinned with an explanation that the worthy efforts of Medecins Sans Frontieres and International Rescue Committee are not the concern of this learned volume. Recent studies on the costs of crisis are beginning to correct this gap, but it is still a general truth that disaster vulnerability and

43. Calvert, P. and Calvert, S. 2001. Politics and Society in the Third World. (New York: Longman, 2001)

relief are blind spots in macro-economic theory and practice.

For anyone familiar with the way of life of Africa's poor, this macro-policy failure to take account of vulnerability to crisis is a puzzle. Farmers and herders, whose livelihood strategies are based upon managing risk, would be perplexed to learn that macro-economists are interested solely in average growth rates, and pay no attention to the year-on-year volatility in growth that is so characteristic of African economies. African countries often achieve superb headline growth rates of six to ten per cent. Their tragedy is that this performance is so rarely sustained for more than a few years, and when the reversals arrive, they are usually shattering.

A severe economic contraction caused by drought or a collapse in commodity prices usually causes disproportionate levels of poverty, as the poorest are forced to sell their assets. An economic upturn may pull some of these people out of destitution, but typically many others remain poor even when the macro-economy rebounds. Bill Easterly[44] compiled cross-country statistics across the developing world for the impact of economic volatility on poverty reduction. He found that a 'strong expansion' may increase incomes by 8.2 per cent and reduce poverty by 6.1 per cent, while a 'strong contraction' decreases overall incomes by 9.8 per cent but increases poverty by a shocking 23.9 per cent. In common with other mainstream economists, Easterly uses this data to argue for the importance of growth. But it shows even more strongly the importance of avoiding severe downturns. Virtually all Poverty Reduction Strategy Papers (PRSPs), adopted by countries to obtain eligibility for HIPC debt relief, are blind to this.

Macro-economic has taken some welcome steps towards recognising that it is dealing with human beings in the last few years. One step has been putting poverty reduction at the centre of policy and adopting the Millennium Development Goal of halving the poverty headcount by 2015. The IMF has renamed its former structural adjustment facility as the 'poverty reduction and growth' facility. Another step has been the rediscovery of the importance of a 'capable state' in providing essential social services. The disastrous move towards 'cost recovery' in primary health care and primary education is being reversed.

In 2002, Ethiopia faced a drought that threatened a quarter of its rural population with hunger. An Indian-style response would have been logical, but 'non-productive' expenditure is prohibited by the International Financial Institutions (IFIs) if Ethiopia wants to remain on track for debt relief. Instead, the government was obliged to make cuts in public spending,

44. Easterly W The Elusive Quest For Growth: Economists' adventures and misadventures in the tropics (MIT Press, 2002).

including social services, and rely on the United States Agency for International Development (USAID) and the World Food Programme to ship in millions of tons of free food. People were fed, but the local grain market was undermined. Ethiopian farmers who took out loans to buy fertilizer to increase their yields could not recover their costs. Peasant farmers in Ethiopia are famously hardy, but the laws of supply and demand mean that there is no incentive for them to produce surpluses for the market.

Similar arguments have handicapped AIDS spending in several African countries. It seems inappropriate that buying labour saving devices counts as productive expenditure, while life-saving measures remain classified as non-productive.

Aid, Governments and Conflict in Africa

Territorial aggression, ethnic disputes, and the political goals of some governments in less-developed African nations have often diverted resources intended to improve social and economic well-being to war and destruction. Ethiopia is a case in point for such destruction. The history of Ethiopia is a history of war. Conflict has become a standard for successive Ethiopian regimes. Millions of dollars in aid-resources has been spent on war even while tens of thousands of people in the country suffered and died from a catastrophic famine in 1984-85. Today, some other African countries have also suffered conflict related experience and other disaster that the resources meant for development has been diverted to fund security in order to protect lives and properties. For instance, the experience in North Africa where protest and counter protest have taken place, properties have been wasted and lives have lost thereby huge resources have been diverted to curb and rebuild the wasted economy.

For many decades, the government of Ethiopia received extensive aid resources. Some sources indicate that the military regime received about $10 billion in loans granted by former USSR economic aid. But these resources were diverted to war. The war, which began in the early 1960s in the northern part of Ethiopia, continued into the early 1990s. The overthrow of the military government (the Dergu) in 1991 led to independence for the province of Eritrea. After 4 years of relative peace in the country the war with Eritrea started anew, costing hundreds of thousands of lives, vast civilian displacement, and the squandering of millions of dollars of resources per day.

Foreign aid resources were used not only to fund the war, but also to support the self-centered demands of the leaders and elites in the country. Rulers have relied heavily on external ideas to lead the country and on external goods to feed themselves. Despite extensive poverty, the ruling elites blame the international community, especially the West, for the humanitarian crisis in their country. In short, a small exclusive group of corrupted leaders control the economic wealth and political direction of the country to their own advantage and for the benefit of their ethnic and religious allies. They benefit from unrest. The lack of a coherent aid policy in industrialized countries has contributed to the problem. Nothing is free. The West often views aid as something to be bartered. The West exchanges aid for political or ideological support or uses aid to influence strategic decisions and strengthen alliances.

Until the end of the Cold War, bilateral aid and multilateral aid were provided to sub-Saharan Africa. But soon after the cold war ended aid-resources to Africa dramatically declined in the 1990s. Not only did aid fall, but foreign policy attention directed toward Africa also decline. For example, United States foreign policy was less focused on sub-Sahara African after the end of the Cold War until the mid-1990s. This established the fact that aid-based development strategy was not really planned to reduce poverty in those LDCs, but was planned for incentive purposes to maintain national interests including economic, ideological, and political goals for the region. The distribution of resources from industrialized countries to LDCs, for example, is allocated disproportionately. In the 1970s almost 70% of the total resource flow was directed to middle income nations (with about 35% of the Third World population); but the LDCs (with 61% of the population) received only 22% of the total resource flow.[45] In recent years, one-third of Africa's development aid has continued to be channeled into middle-income countries, whose average GNP is about six times that of the low income countries.[46] This suggests that development has implicit goals to achieve and is not used simply to reduce poverty.

Post-cold war African countries were required to promote market economic reforms and democratic changes as preconditions to qualify for aid from the U.S government and international institutions such as the World Bank and IMF. Despite the policy changes, the basic principle has still remained the same; aid is exchanged to support the aid donor's ideology. It is unfortunate that many governments in Africa accept the aid but give only lip-service to policy changes such as market reform and democratization. Many governments in Africa continue to have the support of the West while ethnic and civil conflicts continue unchecked.

Also, those who practiced a liberal value system attempted to introduce economic reforms with an economic policy based on the encouragement of private sector investment, human factor development, and major public sector development as a complement to private

45. Fuhrer, H. "The Flow of Public and Private Financial Resources to Developing Countries: Recent Trends." In A. Gutowski, et al., Financing Problems of Developing Countries. (London: MacMillan, 1985) p. 142.
46. World Development Report 2000/2001. 2001. New York: World Bank/Oxford University Press.

sector development. Unlike liberals, the radicals prefer launching a revolution. They believe that third world countries are currently dominated under neocolonialism. In their view, local leaders are political elites who are advocating capitalist conservative values and are driven by mutual self-interest with the western capitalists. Hence, radicals think the solution requires revolutionary changes by overthrowing the established political coalition between local political elites and conservative capitalists. As a result, revolutionary actions in many countries have exposed the majority of the population to instability, poverty and exploitation. The radical Islamist movement, such as Al-Qaeda led by Osama bin Laden, is a case in point for such a radical view. Their claim is clear: the regimes in the Arab world such as Saudi Arabia are repressive and corrupted because these regimes receive economic, political and moral support from neocolonial governments of the West, particularly from the United States.

Radicals see the current system of globalization as an extension of neocolonialism with the whole world heading toward domination and exploitation by a few transnational corporations supported by the IMF and the World Bank and protected by powerful nations like the United States.

Conclusion

Foreign aid has assisted African State in achieving some level of development from both bilateral and at multilateral level. It has been of help to the African in areas of democracy assistance, budget when country like Uganda depends largely on aid for their budget; Ethiopia relied on aid especially during their conflict time, assistance in area of tourism, relief during disasters and a host of others. However, whichever way aid has assisted Africa either tied or untied aid the western aid has boosted the economy of Africa in one way or the other. A successful development plan needs a proper combination of external aid and complementary internal policies and activities. Foreign economic aid must be seen as temporary assistance or a short-term economic jump start; not a substitute for long-run internal economic development. While specific Marshall Plan aid to European countries led to significant industrial development, foreign aid to Africa has failed. Unlike the Marshall Plan for Europe, economic aid to Africa from both Western and Eastern industrialized countries has been tied to the goals of the donor country or organization. In Europe under the Marshall Plan, aid resources were strictly channeled into specific economic sectors: reconstruction, development of industry, economic infrastructure, and particular attention was given to education to provide a skilled labor force. In the case of Africa, there has been no coordinated plan or strategy about how and where aid resources are used, and most importantly human factor development has been neglected for decades by both donors and African governments.

The benefits of foreign aid to Africa are weakened by the specialized conditions required by the donor. Tied aid limits African nations from acquiring the skills necessary to develop local production. This lack of freedom to choose and use aid resources according to the principle of comparative advantage or to develop strategic priorities puts African countries at a disadvantage.

Currently, governments of many African countries lack political legitimacy, contributing to ongoing armed conflict, low economic growth and destitute life. Maintaining peace and a stable political environment are critical for lasting economic growth and social development in Africa. Without these preconditions the people of Africa cannot create a sustained remedy for armed conflicts, poverty, unemployment and other social evils. Leaders in developing African nations should make a commitment to development, education, health care, equal opportunity, political freedom, and national self determination and should accommodate traditional democratic values of the African people.

Good governance and political stability, accompanied by debt forgiveness in place of foreign aid, would increase incentives for private foreign investment in Africa, provide incentives for needed economic reform, and eliminate the circular flow of aid payments and debt service repayments. Opportunities for free trade, without harmful and protectionist policies from the West such AGOA, will allow African nations to exploit their comparative advantage in agriculture, textiles, and low-cost manufacturing. Development aid to Africa can make a significant difference if it is directed to assist the poor, considers local realities and encourages genuine participation and partnerships between donors and recipients. Corruption in African system must be discourage and government must find a lasting means of ending it if aid must have a positive impact on the people within the context of African development.

Home grown development strategies such as NEPAD as an African idea must be allowed to propagate fully. An important move in this direction is the continental strategic development programme, called the New Partnership for Africa's Development (NEPAD) initiated by African leaders as a collective action to look into the region's economic problems in particular. The NEPAD, as a programme for building member countries' economic confidence and strength, should be successfully implemented through an economic integration of member countries. Through such integration the member states of an organization can maximise their wealth and power.[47] Integration promotes bigger markets that stimulate investments, promote specialisation and encourage competition among producers.[48] It also leads to the creation of coordinated industrial planning, assigning given industries to different member countries, depending on the available local raw materials and thereby avoiding trade-diverting duplication of industries. Opportunities are created for industries to enjoy economies of scale of production. For consumers, the main associated benefits will include lower prices and a generally enhanced welfare because of the increased quantity and range of goods made available.

Basically, all African countries, including the relatively affluent ones, such as South Africa, experience similar economic difficulties, such as poor direct investments, high unemployment rates and poor primary goods exports, all of which have made these countries susceptible to aid. These economic difficulties should in fact form the background condition for integration.[49] A successful economic integration in Africa will require that the integrated body avoids the mistakes made by some of the sub-regional integration initiatives such as the Economic Community of West African States (ECOWAS), Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA), among others. Significant barriers to trade remain within these sub-regional integration initiatives because of the following: (1) imperfect implementation of agreements, (2) cumbersome and costly border formalities, (3) an absence of common standards, (4) inconsistent (and inconsistently applied) tax policies, (5) countervailing duties, (6) 'emergency protection' to address balance of payment problems or to shield an industry from surges of imports and (7) discrimination in public procurement.[50] The continent must deal with these issues if it is to achieve effective regional economic integration and free itself from the shackles of aid.[51]

---

47. Ibid, p. 19.
48. Salvatore, D, International Economics, 3rd edn (international edition). (New York & London: Maxwell Macmillan, 1990). P. 295.
49. Mattli, Op Cit p. 51.
50. World Bank 2006, p. 312. 315
51. Ibid, p. 312.