

Foreign Aid: The Curse of Africa

Word Count: 3101

Research Question: How is foreign aid affecting the economic development of Africa?

Table of Contents

Introduction.....	4
History of Aid.....	4
The Foreign Aid Problem.....	4
Africa Today.....	4
Types of Aid.....	4, 5
Loans and Grants as a Form of Aid.....	5
The Marshall Plan.....	5, 6
African Revival.....	6
Corruption.....	6
Conflicts.....	6, 7, 8
Africa’s Revival: Kenya.....	8
Mombasa.....	9
Conclusion.....	9
Bibliography.....	10

Foreign Aid: The Curse of Africa

Africa is the poorest continent in the world. Many different points could explain this. One of the main reasons is that the continent has always (since the Africa's colonization by the Europeans) been dependant on the donations and help of Western countries. In the past fifty years, over US\$ 2 trillion in development aid has been transferred from developed countries to solve the dire situation evident in Africa. Throughout this essay I will be looking at how foreign aid is affecting the continents economic development.

The reason I'm exploring this topic is because I've always had love for the beautiful continent that is Africa. I've travelled to Africa many times, visiting South Africa, Egypt, Morocco and Kenya and I've always been surprised how a resource rich continent is the poorest in the world.

The origins of aid go back to 1896 when the US government provided overseas support in the form of food aid. Later, under the Colonial Development of 1930, grants were provided to poorer nations (colonies) in the hope of improving infrastructure, with the ultimate goal of creating some kind of economic output. Then came two major developments in the structure of foreign aid. The era of the Marshall Plan, a United States funded agreement to restore prosperity to war torn countries in Europe, and the establishment of International organizations such as the UN (United Nations) and the World Bank were a huge stepping stone in the idea of foreign aid as a cure for world deprivation. It wasn't until the 1980s that the concept of bringing aid to impoverished countries was driven home to the general public, when Bob Geldof presented to the world Live Aid; a concert organized to raise both awareness and funds to resolve famine in Ethiopia. Watched by over 1.5 billion people, it brought Africa's prevailing problems to the public eye.

The fact is, that a lot of money has been sent to Africa in the past fifty years, and the continent is still in a dire economic state. It has produced a donor fatigue, where investors and donors have begun to think that Africa won't be able to elaborate an economic market to build the foundations for the continents future development. This has caused the continent to receive less Aid over the past twenty years. Africa's poverty crisis has not been solved; millions in the continent are poorer today because of aid and scarcity and suffering are still prominent. What started of as a resolution to Africa's problems, has ended up as an unmitigated humanitarian and economic disaster for most parts of the developing world

And yet, Africa is still in a terrible shape. Over half of the population is living on less than a dollar a day. Some 50% of the world's poor population live in Sub-Saharan Africa. While the percentage of people living under the poverty line fell after 1980, it's almost increased by 50% in Sub-Saharan Africa. Between 1981 and 2002, the number of people living in extreme poverty almost doubled, leaving the average person poorer today than 20 years ago. It's projected that by 2015 Sub-Saharan Africa will account for a third of the world's impoverished populations. Africa has got the lowest life expectancy in the world, the only continent with a life expectancy less than 60 years, lingering just above fifty. This is mainly due to the rising cases of HIV-AIDS. Africa's pandemic has affected 1 in 7 children, a worryingly high figure in a continent where around half of it's population is young.

There are three different types of aid: humanitarian or emergency aid, which is distributed and bestowed in response to catastrophes and devastations – for example, aid in response to the 2010 Haitian earthquake or the 2004 southern Asian Tsunami; charity based aid, which is handed out by charitable organizations to organizations on the ground; and finally, systematic aid that is aid payments transferred to government through the world bank or government-to-government transfers. While there are evident and essential virtues to emergency aid, criticism can be aimed towards it. Charities can be often panned for only pledging a small amount of their given donations, this due to poor application and/or high organizational costs.

In 2005, the United States government distributed 15 billion dollars over a period of five years to fight AIDS. 10 billion dollars of the money had to go to pro-abstinence programmes, and would not be available to any institution with clinics that offered abortion facilities. Another scandalous and polemic fact was that nine months after the 2005 Asian Tsunami, the charity World Vision had spent less than a quarter of the 100 million dollars it was able to raise. These sums of money pledged to the developing world, ascertains the mind-set that prevails the developed world; aid is good.

Large cash transfers from rich countries to African countries have been inclined to be in the form of concessional loans or grants. First of all, lets differentiate both: **CONCESSIONAL LOAN** is money granted through below-market interest rates, considerably more substantial than normal market-loans, and a **GRANT** is briefly speaking, a non repayable loan. Many leading economists believe that donating countries should urge to send money through grants, instead of loans. It's thought that it would take far too many years to repay the investment governments have put into the country through concessional loans. This type of aid leads to the continents governments becoming heavily indebted, and unable to repay the loan. This leads me to believe that in terms of aid provided to Africa, the distinction of loans and grants is completely hopeless.

The Marshall Plan was an agreement between the United States of America and most of war torn Europe to encourage the reconstruction of the savaged continent. It turned out to be a success in rebuilding their economies. Not only did it guarantee economic success, but it was also recognized for re-introducing peace and prosperity through new social and political institutions. Although the idea of providing financial assistance through aid was based on the success of the Marshall plan in Europe, the two are completely different. One cannot rely on the successes of the Marshal Plan to predict same results in Africa.

Europe wasn't wholly reliant on aid. Despite the depredations of WWII, European countries economic revival was already in progress. At the countries economic peak, Marshall plan was only responsible of 2.5% of the GDP of countries such as France and Germany, while never reaching more than 3% of GDP for any other country in war torn Europe throughout the five-year programme. In contrast Africa has been provided with excessive amounts of aid. Today, Africa receives around aid worth 15% of the countries' GDP. Five times the amount of the Marshal Plan. Given that Africa has been given billions of dollars in the past 50 years, with no economic progress, it's hard to understand how another billions of dollars of Aid will ignite an economic revival. Aid to Europe was fixed, the United States of America provided Europe with a proposition and the countries

accepted the terms and conditions. Spasmodic injections of cash were provided to the continent, and at the end of five years, no more money was required.

In Africa, aid has been provided for the past fifty years, and in contrast to the Marshall Plan, aid has been an unlimited recurrence, with no time to work against. This has led me to believe that African governments view aid as a continuous, dependable and unfailing source of income. How can a country induce long term planning when funds are constantly being transferred into government's accounts? How can countries pursue other forms of development, when they're always going to have a constant cash influx?

Another factor in the European revival was that the foundations were already laid out. All the European nations had the organizations, civil services, well-managed businesses that had already been working in pre WWII. All that was required to jump start its economic revival were cash injections. Marshall plan was consequently a mission to rebuilding, while the project in Africa is one of construction. However damaged, Europe already had the existing framework to ignite a revival; Strong political system, working economies and infrastructure, whereas Africa was effectively undeveloped. The Marshall plan was mainly targeted towards physical infrastructure, aid to Africa involves every aspect of it.

The problem is, Africa can't capitalize from its natural wealth. The Democratic Republic of Congo is possibly one of the richest countries on the planet, but conflicts, colonialism and corruption has turned the country into one of the poorest. The country has every type of mineral, but it is still ranked lowest on the HDI (Human Development Index), where even the most privileged live in subject poverty. But the countries tyrannical regime has led the country to a war in which more than five million people have died, while millions are still suffering from starvation and diseases. How can a resource rich country like Congo be one of the poorest countries in the world?

There is still hope, many countries in Africa have displayed annual growth rates of over 5%. On the turn of the century, widespread corruption, forbidding economic prospects and poor infrastructure were prevalent, but today economic growth and democratic government are becoming more and more customary. I believe, three factors are at the core of the African revival.

1. In the last few years, a **rise in commodity prices** such as oil, gold and foodstuff has increased African exports and increased countries' export revenues.
2. Through **market-based policies** implemented in the early 1990s, many countries in the continent have profited from a positive policy dividend. This has left Africa's economic essentials on the rise, with high growth, decreasing inflation and stable monetary and fiscal policies.
3. Both of these factors won't be able to ignite economic development when under the crooked and fraudulent rule of a **corrupt** government. I personally believe democracy is imperative for economic development, and that's why I'm holding it as the main factor for an African revival.

"Power does not corrupt. Fear corrupts... perhaps the fear of a loss of power." — John Steinbeck

Democracy: 50% of the continent continues to be under non-democratic rule. Africa has at least eleven autocratic regimes (Equatorial Guinea, Congo, Brazzaville, Gabon, The Gambia, Mauritania, Rwanda, Sudan, Eritrea, Uganda and Zimbabwe) Three African presidents have been in power since the 1960s (Dos Santos of Angola, Bongo of Gabon, Obiang of Equatorial Guinea), five others have been in power since the 1980s, and eleven countries have been involved in gruesome wars (Angola, Burundi, Chad, Democratic Republic of Congo, Liberia, Rwanda, Uganda, Sudan and Sierra Leone)

How can sustainable economic growth occur when corruption is widespread?

There are many ways in which corruption disables economic development.

First of all, fewer businesses and cooperation's will risk investment when corrupt officials can lay claim to its ventures. This leads investment to stagnate, which ultimately kills growth. The world government claims that by richer nations aiding Africa, corruption will collapse. It explains that poor governments will be able to afford to increase salaries of public-sector employers, thus repelling the need for a corrupt regime. The harsh reality is that the money transferred to governments is unexploited. Using Uganda as an example, in the 1990s it was thought that only 20 cents of every aided \$1 dollar aimed to be spent on the educational system actually reached the intended target schools.

Corruption can also be a cause for the continents brain drain. Why would highly educated and skilled students want to build a career in Africa, when they can go to Europe and earn a salary they would only dream of getting in their respected countries? Sub-Saharan countries have lost a huge amount of their educated people; this has affected the countries ability to get out of poverty. The United Nations Development Programme has estimated that Ethiopia has lost 75% of its educated and skilled workforce between 1980 and 1990. It's noted that the country generates highly skilled doctors, but there is a higher Ethiopian doctor contingency in Chicago then there is in the whole of Ethiopia. That's a frightening statistic, how can a country ignite its economic revival when there is no workforce to maximise it?

"In our world in which the generation of new knowledge and its application to change the human condition is the engine which moves human society further away from barbarism, do we not have need to recall Africa's hundreds of thousands of intellectuals back from their places of emigration in Western Europe and North America, to re-join those who remain still within our shores!"

I dream of the day when these, the African mathematicians and computer specialists in Washington and New York, the African physicists, engineers, doctors, business managers and economists, will return from London and Manchester and Paris and Brussels to add to the African pool of brain power, to enquire into and find solutions to Africa's problems and challenges, to open the African door to the world of knowledge, to elevate Africa's place within the universe of research the information of new knowledge, education and information." - THABO MBEKI

This was a remark made by the former president Thabo Mbeki, during the African Renaissance Event in 1998

The problem is that foreign aid has been going to corrupt government for the past few decades. Take this case for example, in 1978 the IMF appointed Irwin Blumenthal with a position in the central bank of what used to be Zaire, now named Democratic Republic of Congo. Blumenthal ended up quitting his post in the bank less than a year after starting up. After leaving his position at the bank, he left a memo saying 'the corruptive system in Zaire with all its wicked manifestations is so serious that there's no prospect for Zaire's creditors to get their money back. Months after Blumenthal's resignation, the International Monetary Fund

Corruption causes competition and control of resources. Being able to seize power and attain unlimited amounts of money has become dangerously irresistible to many. The fantasy of being extremely powerful has caused many conflicts and wars in the continent. The Stockholm International Peace Research Institute claimed that ***'Africa is the most conflict ridden region of the world, and the only region in which the number of armed conflicts is on the increase.'*** During the 1990s, Africa fell victim to seventeen major conflicts, seven more than elsewhere in the world. But astonishingly, it is the country that receives more foreign aid than any other region worldwide.

It can be said that foreign aid is causing conflicts. The leader of the Sierra Leone Revolutionary United Front (RUF) was offered the position of vice president, but only agreed until he was given the position of chairman of the controlling board of the diamond-mining industry. Then occurred the civil war in Sierra Leone, fuelled by the exploitation of blood diamonds, which caused an estimated 50,000 deaths across the country. So not only could you say that foreign aid affects economic growth but could also be a cause for conflicts or civil wars.

It has been reported that Kenya has hit a natural resource boom. The country hopes that it can utilize its mineral wealth to drive Africa's 11th largest economy to new heights. Large multi-national companies are looking at Kenya to make good business from its resource boom. One of the world's leading independent Oil & Gas production groups, British Tullow Oil, is preparing to extract over 27 billion dollars worth of crude oil from the country's northern desert.

Mining companies are also exploiting Kenya's boom. Base Titanium, an Australian mining company, is exporting minerals from its mine in Kwale. The company projected that the venture will generate \$300 million dollars in revenue and double its mineral export value. And in the south, the Chinese company Fenxi Mining is projected to generate a potential \$40 billion dollars from its coal reserves. But even if these projects go ahead, it's unknown if it will create more employment with decent wages to improve standards of living for Kenyans.

During my summer holidays, I visited the historical city of Mombasa, located in the southeastern coast of the country. Mombasa is one of the most important ports in the world. It is the hub for imports and exports for Uganda, Tanzania and Rwanda, and is widely known as the gateway to East Africa. Most aid destined for other parts of Africa will pass through Mombasa Port.

As with all African countries, Kenya is not immune to corruption. An example of this is that aid by way of second hand clothing from Europe and the West passes through Mombasa Port. It has been reported that this aid meant for the poorest of people in both Kenya and the rest of Africa often does not reach its destination. Instead, it is off loaded in Mombasa and sent by ferry from Mombasa Island to the mainland where it is sold in public street markets. Therefore, only the very few who live in the villages closest to the

ferry terminal will benefit. I noticed many such stalls during my visit selling used clothes, mountains of used sock and trainers. Not enough is done by aid organizations to ensure that their cargo reaches those it is intended for.

The west has spent billions of dollars to insure some sort of development in these impoverished nations, so why is it not reaching those it is intended for? Mombasa is the second biggest city in Kenya, and it is known for his white sands and historical port. According to the Foundation for Sustainable Development (FSD) Mombasa is faced with very high cases of HIV/AIDS, and also suffers from severe issues of waste management, malaria, unemployment and slums. How can a disease-ridden population suffering from dejections and misery be treated in such a way? Western government rely on the African governments to make a change, to stop Africa's from falling into a deep calamity, to stop its population suffering, to stop it's conflicts and to stop it's progressive decline. What has foreign aid done to stop Mombasa's population from suffering? So far, nothing. Years and years of money being pumped into the country has so far had no impact; in fact many believe it's causing more damage than repair.

To conclude, foreign aid is the curse for Africa. It is still the poorest continent in the world. Extreme poverty has doubled, cases of AID/HIV are rampant and economic growth is too slow. As I've expressed in my essay, in order for Africa to climb out of the deep hole it finds itself in, we have to stop aiding communist regimes. These crooked and fraudulent regimes are extracting it's countries wealth from it's own people, leaving behind nothing but despondency and despair. There's nothing we can do, tyrants will be in power for as long as they want to be. Africa's revival is looking both unattainable and hopeless, the future of Africa is in it's own hands.

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