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Continental Divide

09 August 2009 By Jennifer O'Leary

When the leaders of the world's wealthiest countries stood for their group photocall at the recent G8 summit in the Italian town of L'Aquila, they probably felt that they had been more than generous when it came to their decisions on how much aid to send to Africa over the next few years.

The G8 countries had been expected to pledge $15 billion in aid to the continent, but following intensive discussions with African leaders, they agreed to donate $20 billion in farm aid over three years, with the aim of helping poor nations to feed themselves.

But while the commitments made by the G8 leaders have received a guarded welcome by many non-governmental organisations (NGOs) working in Africa, a contrary view - that aid, in whatever form, is not good for the continent - is also starting to generate a significant amount of attention.

In her best-selling book Dead Aid, Zambian economist Dambisa Moyo argues that aid to African countries, whether from governments, NGOs or celebrities, is actually doing more harm than good. According to Moyo, the former head of economic research and strategy for sub-Saharan Africa at Goldman Sachs, after more than 50 years of aid totalling more than €2 trillion, the continent may actually be worse off than it was before.

Moyo's prescription is stark - in five years, all development aid to Africa must stop. This, she believes, would force governments to foster trade, foreign investments and finance to provide the jobs that are necessary to long-term growth.

"One of the most depressing aspects of the whole aid fiasco is that donors, policymakers, governments, academicians, economists and development specialists know in their hearts that aid doesn't work, hasn't worked, and won't work," writes Moyo. She is not the first to critique African aid, nor the first African to do so.

"Aid is causing more harm than good in Africa, because it makes us focus on money as a solution to Africa's problems," says James Shikwati, a Kenyan economist and the director of the InterRegion Economic Network. "The fact of the matter is that the solution lies with African people proactively addressing the challenges that confront them."

Shikwati argues that the current development model sustains Africans on a 'scratch the soil' level, while the G8 economies and others import raw materials and add value to them.

"The aid industry focuses on exhibitionism- roads, electricity, city skylines, western education and western medicine among others - and ignores people development," he says. "Aid has destroyed the African attitude towards self, and has instead created a mentality of dependency."

Shikwati believes that development aid thwarts any culture of self-reliance and problem solving, and that it breeds corruption.

"Courtesy of the aid industry, Africa faces governance difficulties as each political elite fight to access the control of money from wealthy nations," he says. "In essence, aid has denied African people an opportunity to determine for themselves the type of government, leaders and economic system they want."

Tom Arnold, chief executive of Concern and chairman of the European Food Security Group, welcomes the aid debate, but sounds a note of caution.

“There is a certain amount in Dambisa Moyo’s book that no one would deny," Arnold says. “Not all aid is good, and big mistakes have been made in the past. But I think it’s mad to jump from that and arrive at the conclusion that aid should be done away with. That is not borne out by any evidence."

Professor Jeffrey Sachs, director of the Earth Institute at Columbia University in New York and special adviser to United Nations secretary-general Ban Ki-Moon, is less circumspect.

“Dambisa Moyo’s proposal that aid be cut to Africa is highly irresponsible, and could lead to the deaths of millions of people," Sachs says. “I’ve argued for many years that successful aid programmes targeted in the areas of agriculture, health, education, infastructure and business development should be scaled up, but to make sweeping statements about aid is not helpful."

Sachs has been involved in an ideological head-to-head about the effectiveness of development aid with the New York University economics professor William Easterly for some time. In his book, White Man’s Burden, Easterly argues that “the west” has arrogated to itself the role of saviour of “the rest”, when people in developing countries often know better themselves how to improve their lot.

Arnold describes the debate as becoming dangerously polarised. “Both sides have some legitimacy in their arguments, but it’s the simplicity that Moyo has brought to it that is the dangerous thing," he says. “We are working in countries caught in a deep poverty trap, and there is no way in the world that they are going to get out of that in the short term. Aid, so long as it is targeted within a sensible policy framework, has a role to play."

The man regarded by many as the world’s leading expert on global poverty is Paul Collier, a professor of economics at Oxford and author of The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It. Dambisa Moyo’s former mentor agrees that the current divide between aid champions and critics is unhelpful.

“An artificially polarised debate is dysfunctional," says Collier. “I find some of the stuff a bit theatrical, and perhaps deliberately so. People are overstating their positions to draw attention to their message, and perhaps themselves. And such theatrics crowd out what could easily be something that could be used to build a consensus."

But economists are not alone in expressing their concerns. Jonathan Glennie, a Christian Aid country representative in Colombia and the author of The Trouble with Aid: Why Less Could Mean More For Africa, believes the issue of aid is complex, and that more is not always better.

“A lot of the views I express in my book are shared by many colleagues in the aid industry, both in the developed world and developing countries," says Glennie. “I call myself an aid realist. I think we should look at all the various impacts of aid, because the public in both donor and recipient countries deserve a rational approach to the debate, and not an exaggerated or polemical one."

About 200 million people on the African continent are malnourished, and more than 95 per cent of them reside in sub-Saharan Africa. The amount of foreign aid into Africa increased during 2008,with the Organisation for Economic Cooperation and Development (OECD) recording the highest ever amount in dollars invested in official development assistance.

That figure increased by 10 per cent in real terms to $119.8 billion dollars, of which $26 billion went to Africa. Out of this, $22.5 billion went into sub-Saharan Africa.

“Aid alone is not the answer to Africa’s problems," says Brenda Killen, head of the aid effectiveness division at the OECD’s development cooperation directorate. “But at the moment, the discussion is very sensationalist. It’s very easy to criticise aid, instead of focusing on the things we can do to make aid more effective."

The Paris Declaration on Aid Effectiveness was signed in 2005.The international treaty contained commitments from governments to make aid more effective, and encouraged governments to sign agreements called Poverty Reduction Strategies. These hold both donor and recipient countries accountable for using the proceeds of growth to reduce poverty and increase basic education and access to healthcare.

"Since that treaty was signed, agencies have really been trying to improve the way aid is spent," says Glennie. "But I still believe there is a reluctance within the aid industry to really look at the fundamental problems."

According to Glennie, the policy conditions that donor countries attach to development aid is the most worrying aspect of aid.

"The principle of 'we will only give you this money if you adopt this particular economic policy', has had a highly detrimental impact," he says. "Many African countries have adopted an extreme pro-liberalisation, pro-privatisation position, not because they woke up one day and thought that it would be the best thing for their country, but because they were conditions they had to adopt in order to access the aid that they thought they needed in order to develop."

Fredrik Erixon is a director of the European Centre for International Political Economy (ECIPE), an economic think tank based in Brussels.

"Aid dependence has been a big problem for the past 30 years; one of its manifestations is that for many African governments, the most important revenue channel they have is aid from donor communities," Erixon says.

"The easiest way for a developing country to increase revenue is to get the donor communities to distribute more resources there, and that means that your chief priority as a government is towards other governments, and not towards your own population. This is not only a democratic problem, but also one that leads to skewed economic policies."

Glennie agrees. "When the vast amount of your budget arrives from outside the country, you become accountable not to your own people, but to the donor countries. And if the majority of a country's income does not come from within, then it is hard to put in place all those checks and balances that democracies need."

Robert Calderisi, a 30-year veteran of the international development community who has spent most of his career working on African issues for the World Bank ,proposes in his book, The Trouble with Africa: Why Foreign Aid Isn't Working, that all but five African countries should be denied aid unless they accept "political and economic supervision".

"People would ask me why the World Bank and the west were imposing so many conditions on the aid they gave," he says. "I would answer: 'Well, would you lend money to your government?', and the answer would always be no. But the second question was always harder to answer: 'Why do you try to help our governments, because they are not helping us ?' "

During his recent visit to Africa, US president Barack Obama called on citizens of the continent to take control of their own destinies by building democracies, creating economic opportunity and fighting corruption.

"That's the change that can unlock Africa's potential," Obama said in a speech delivered last month in Ghana. "And that is a responsibility that only can be met by Africans." Collier agrees that the solution to misgovernance will come from within Africa itself, but says aid must be conditional on decent governance.

"Governments need to be accountable to their own citizens, not to donors, and that should be a condition of receiving aid," he says. "That seems tome to be something we could all agree on and then implement, and it's something we are not doing at the moment."

Africa has not been immune to the global economic crisis. The International Monetary Fund has said that the continent is likely to be hit hard by the downturn, and expects growth in sub-Saharan Africa to slow from about 5 per cent in 2008 to a 20year low of 2 per cent in 2009,puttingat risk the progress made in recent years.

But Tom Arnold of Concern warns against the Moyo-type prescription of increased trade and capital flows as an alternative to aid.

"The notion that some countries are ready to engage in international trade is nonsense," he says. "The trade patterns that need to be promoted in many of the African countries are, first of all, local trade, then regional, and eventually, some distance down the road, you might get into the international trading regime.

"It's no surprise that the trade deficits in Africa have gone the way they have over the past 20 to 30 years - it merely reflects the changing nature of international economic activity and the inherent weakness of many of these economies."

One statistic that stands out for Arnold comes from south-eastern Africa.

"Malawi has a population of 13 million people, but its total government budget for services - health, education, the lot - is $1 billion. In Ireland we spend $15 billion on the health service alone," he says. "So a lot of these countries are faced with dreadful dilemmas in terms of where they allocate resources, and many of them are unhealthily dependent on aid to make up the national budget. But to prescribe for that to be taken away in a five-year period seems, to me, to be nuts."

The fundamental problem with the aid model as described by Moyo is that there are no jobs being created for Africans, as opposed to the 'aid industry' jobs created in the west.

Hans Zomer is director of Dóchas, the Irish association of development NGOs.

"Some 1,100 people are employed in the aid sector in Ireland, and those same Irish NGOs employ almost 5,000 people in developing countries," he says. "The arguments being put forward by Easterly and Moyo are relatively simplistic. We would be the first to say there are flaws in international development, but it is too simplistic to say something is wrong so it should not be there."

With most of the developed world pumping billions into emergency stimulus packages, the future looks uncertain for development aid. Many groups are warning of catastrophic consequences if western nations opt to reduce their aid packages as a result of the economic downturn.

The Africa Progress Panel, a group led by former UN secretary-general Kofi Annan, says cuts in aid budgets by industrialised nations could prove disastrous for some African countries.

"The financial meltdown that evolved into an economic recession has now become a development crisis," warns the panel's report, which was released earlier this month.

"Combined with the food crisis, the volatility in fuel costs and climate change, it threatens to reverse Africa's recent progress."

"There has been a crisis in most of the world for a number of years, but we are only calling it a crisis now because the west is affected," says Jonathan Glennie. "But it means there is an opportunity to have a fundamental look at what is keeping people poor, and the policies that have led us to this situation."

Ireland's total overseas development aid (ODA) contribution stands at €696 million, or 0.48 per cent of GNP. The government has said it remains committed to achieving the UN target of spending 0.7 per cent of GNP on ODA by 2012, but the recently published report of An Bord Snip Nua says the government should push back that goal by three years, to 2015.

"In the current unprecedented period of economic recession, there is a compelling case for suspending the achievement of this target until the worst of the recession has abated and a more realistic timeframe can be assessed," the report states.

Since last February, Ireland has cut its overseas aid budget by 22 per cent, and its contributions to the UN by nearly 50 per cent, a move that Tom Arnold of Concern is highly critical of.

"We deeply deplore the scale of the cut, and are hoping it's not going to be followed through," he says. "We all know that there is a crisis in our public finances but, no matter how bad things are here, the cuts we make should not be at the expense of the very poorest people in the world, and at a time when the number of hungry people in the world gone from850millionto one billion in two years. That is a step too far."