

Foreign aid and the development of african nations

Politics, International Relations



The African Nations, particularly those lying in the Sub-Saharan region have been subject to poverty, inadequate financial resources of their respective governments, lack of proper infrastructure and essential services like health, sanitation and water supply. These countries have also long been plagued by corrupt leaders, who have no concern about the sufferings of their citizens, despite growing their personal wealth based on the countries' natural resources and foreign aid.

Despite billions of dollars of foreign aid pouring in the region by countries like the United States, U. K. , Germany and Japan there is no tangible change in the development of these countries. This paper will discuss the role of foreign aid in the development of the African Countries. Though, the common perception among the people is that the sub-Saharan Africa receives fairly large amount of foreign aid, but there is no proper outcome of it. They often complain that most of aid given to the African governments is consumed in non-development expenditures, or either is directly deposited in the overseas accounts of the rulers.

But the fact is that the amount of aid given to these countries is never enough, particularly when considered the amount of development work done. Another problem is the method of distribution of the foreign aid, as there is very little amount, which is directly handed over to the African governments for their projects. Most of the aid is either in the form of technical support in which most of the aid is used in paying the officials of the aid giving country in exchange of their services. For e. g.

the United States, which is considered as a major ODA, provider in the region does not spend, as she should have and as much resources she has. Most of the foreign aid provided by the United States is either in response to catastrophes like famine, earthquakes and tsunamis etc. , or in the form of emergency relief, like the U. S. wheat supply in cases of shortage of food supplies due to draught in many African countries. (Sachs, 82) On the other hand the actual amount of Official Development Assistance is far below as it is thought by many Americans.

It is simply because large portion of ODA is disbursed primarily to the strategic nations like Iraq and Afghanistan. The remaining amount left for the non-strategic countries is then distributed either via NGOs or in the form of technical expertise and services. In both cases none of the amount is directly handed over to the recipient government. Thus the leftover of the ODA, which is directly handed over to the aid recipient nations, is significantly low. The same is the case of most donor nations like the United Kingdom, France, Germany, Japan and Italy etc.

The amount of aid actually handed over to these governments, which may help them to practically implement the public development projects like hospitals, schools, water supply and sanitation etc. (Sachs, 82) According to the 2003 U. S. government statistics regarding the ODA given by the United States to the sub-Saharan Africa, the total amount given was \$4. 7 billion only. The sad story is that out of this huge amount only \$118 million were directly handed over to African governments in order to support public development programs run by the government and communities. (Sachs, 83)

Therefore the given statistics regarding the U. S. aid depicts the inadequate amount of direct aid given to the African nations. Now speaking about the output and consequences of the foreign aid in the development of sub-Saharan African nations, the results are not encouraging. Partly because of inadequate amount of aid, ineffective method of aid distribution and disbursement, corrupt governments and leaders the outcome is not overall satisfactory regarding virtually the entire sub-Saharan region.

The United States and other donor countries can shed their burden by using the United Nations as a platform of foreign assistance to the sub-Saharan regions. (Tharoor) Kenya is a good example to analyze the role of foreign aid in the economic and public development of the country. Kenya had been among those countries, which have received huge external aid flows from the donor nations and institutions in order to foster economic growth and reduce poverty.

But unfortunately the outcome has never been satisfactory as there is no major improvement in the economic growth of the country, neither there is any significant reduction in poverty or any tangible public development as an outcome of foreign aid. The country like other sub-Saharan African nations faces high indebtedness, unemployment and absolute poverty. The poor economic performance of the country has led to high dependency of Kenya on foreign aid. (Njeru, 1) The Kenyan development expenditures were slightly above 10% of the total government expenditures during the late 90s.

This shows a development expenditure decline of about 50% from the 70s, which was just below 20% at that time. Due to poor economic performance the government development budget has increasingly become dependent on

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donors. For e. g. in the 80s only 40% of the development expenditure depended on foreign aid, while in the next decade the dependence had raised to 70%. (Njeru, 6) This increasing dependence was the result of poor performance and using the local government resources on non-development expenditures.

Most of funds disbursed by the donors is either in the form of appropriations-in-aid or revenue, the most common of which is appropriations-in-aid method. Using this method the donors have direct contact with the project coordinator, but there is a drawback of this method as the government loses control of these projects there is a big chance that they may become white elephants. (Njeru, 9) On the other hand, under the revenue system the funds are disbursed directly to the Treasury via special accounts in the central bank, but here are some other risks, like misuse of the funds because of weak accounting system at the Treasury. (Njeru, 9)

During the post-independence period Kenya received heavy inflow of foreign aid particularly from the British. In the 70s and 80s there were high development activities in telecommunication networks, land settlement schemes, health and education sectors. During the 80s Kenya had enjoyed the highest level of foreign aid flow and there were about 600 active development projects in the above-mentioned sectors. (The Role of Foreign Aid in Development, 37)

The major setback in the initial development progress was brought by former president Kenyatta and his successor Daniel arap Moi, as they not only backtracked the on going progress by making some unsound decisions like price control, marketing boards which soon adversely affected the prices and

production incentive. Import substitution was also an important drawback, which resulted in poor economic condition and forced the government to stall many public development projects. (Erixon, 14) Corruption is also an important factor, which has led to the wastage of large amount of foreign aid.

According to the Transparency International's index of corruption Kenya was among the 10 most corrupted countries. According to TI the incidence of corruption is about 50% in most ministries, city councils, parastatals, SOEs and other governing bodies. (Erixon, 14) President Kenyatta's regime was plagued by his so-called land reforms in the name of which he received large amount of foreign aid and subsequently became the largest landowner in the country. His alleged favor to his tribesmen and kinsmen, the Kikuyu, also resulted in mass corruption and loss of large amount of donor's money.

Using foreign aid to support their own kindred has become a norm in the Kenyan politics. (Cohen, 7) Presidents Moi's regime is also marked by misuse of foreign aid in favor of the relative and political supporters. For e. g. the Kenyan government received \$873 million in official development assistance in the fiscal year of 1991/92. All this aid was either on grant basis or loan basis and supported some 654 public development projects. These projects have about 2, 000 sub-components, in order to give every ethnic group a fair price of the fund.

Not surprisingly a large amount of the fund and project resources were not used accordingly. (Cohen, 13) Moreover the public developments on district level were also done on ethnic and political basis, as those areas where the residents are either the tribesmen of the president or loyal to him will

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receive a large sum of budget and public development programs, while those who oppose him like the Kikuyu, the people of the former president Kenyatta receive marginal amount of budget and public development funds. (Cohen, 16-17)

President Moi's government and leadership have been marked with more corruption and use of foreign aid on their own behalf. According to a Guardian report, President Moi, his associates and relatives have allegedly moved more than 1 billion pounds of government money to nearly 30 countries including Britain. Other relatives who have been involved in corruption of millions of dollars government money include Moi's sons, which have moved 384m and 550m pounds respectively. (Rice) This report clearly depicts how ruthlessly these corrupt leaders have looted their country and fellow countrymen.

The same is the character of NGOs in this regard, as most of the NGOs working in Kenya have their loyalties with one of the political parties or ethnic groups and they only work in their interest. Moreover those NGOs which are honest to their mission and objective face constraints and suppression from the government and they are only allowed to work according to the interest of the government officials, and their interest is always to do a favor to their kinsmen or political allies.

In this way the people in real and dire need are often neglected, only because they do not have enough political power or ethnic relation with the people in the office. Botswana is another case and a different story. The country has been the best example of good governance and leadership in the continent by far. It is the only country, which has been democratic in

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spiritually and practically throughout the entire post-independence period. The country has actively promoted the its' citizens social and economic development throughout its post-colonial history.

The country led by its founder Sir Seretse Khama and his successors were dedicated to deliberate democracy and market economy. Khama played an important role in developing a law-respecting political culture, which was wholeheartedly endured by his successors. (Rotberg) Though Botswana has received a heavy amount of foreign aid inflow the public development of the country is not based on that primarily. The main factor, which contributed in the country's success, is its good governance and lack of corruption.

According to Transparency International Botswana is the least corrupted country in the African continent far better than many European and Asian countries. (Williams) Botswana has shown its capability of utilizing the amount of donors' funds. Botswana has the strongest state institutions, professional civil services, strong planning systems and centralized aid management systems. All these have helped the country to utilize the funds wisely and accordingly with the minimum loss and misuse possible. The effective use of aid effectively contributes to the project plans, but also gave the country more control over the aid.

This is in contrast to Kenya where the foreign aid froze twice due to poor compliance of the Kenyan government to the conditions of the donors. (Renzio, Whitfield & Bergamaschi, 1-4) After the independence Botswana was among the poorest countries of the world and there was lack of proper infrastructure and social and economic institutions. In the initial post-

independence period the country has used large amount of foreign aid, but the leadership was wise enough to use the foreign assistance in proper way.

The government also preferred grants to loans and used diversified donors and also made a habit of refusing to accept aid when not necessary. (Togo, 3) The government wisely used foreign aid in not only developing the public sector like health, transportation, sanitation and water supply, but also used the chance to invest the aid heavily in the diamond mining industry which later boosted the country's economy and help Botswana to overcome her dependence on foreign aid. (Togo, 4) But in the 90s the situation has changed and the new generation of leaders have emerged which are not willing to follow the path of Khama.

They have allegedly used the government funds as their personal possessions acting double as the directors of private funds thus reserving these funds for the projects run by their firms. Furthermore in 1992 the credibility and respect of the Botswana government was further tarnished by the notorious Housing Corporation scandal in which the Vice president and other high-ranking officials were allegedly involved. (Togo, 5) Despite all these downfalls and shortcomings emerging in the new generation of politicians, the country is still the least corrupt as compared to other African nations.

According to recent studies Botswana has received the highest level of foreign aid up to 1980s, which has played a significant role in the development of the country. The foreign assistance had been as high as \$200 per capita in 1980s. But the studies show that aid has only played significant role in public development in the early years of independence, when the country relied completely on the British aid for its expenditures.

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But in the next decade the ratio of aid had declined sharply, and the revenue from diamond mining far exceeded the aid. In the late 80s the share of aid fell to 3% of GDP from 29% in 1967.

Therefore foreign assistance played significant role in the first two decades of the country history. (Togo, 6) The founder president of Botswana made his priority to secondary education in order to increase the proportion of the natives in the countries civil service and other comprehensive development projects, like mine development, construction of dams and irrigation. The government wanted to provide the natives jobs and reduce poverty. Thus they used the foreign aid initially to promote education and then focused on the infrastructure like roads, electric power and water supply, which will become the basis of the mining industry.

(Togo, 8) The government then acquired \$2.5 million loan from the World Bank to finance the Shashe complex diamond-mining project. The government also won technical assistance from several developed countries. The foreign assistance acquired was largely used in the development of the infrastructure of the Shashe Complex project. Then the aid was used for the development of the human and physical capital. (Togo, 8) Thus Botswana used foreign assistance for the development of the human capital by promoting education and physical capital by developing the infrastructure.

In this way one can easily conclude that foreign assistance played an important role in the development of the country in the first two decades. But when the case of Botswana is compared with that of Kenya, it becomes clear that foreign aid is not the sole factor in the success of a country. In the last four decades Kenya has received more foreign assistance than

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Botswana, but the country never became economically strong as Botswana did. The primary reason was the difference in the vision and approach of the rulers of the two countries.

The Kenyan first two rulers have been among the most corrupted and autocratic type of rulers and they have no interest in the welfare of their fellow citizens. They ruthlessly used the country's resources as personal possessions. On the other hand the Botswana founder president Khama and his successors have been honest to their country and fellow citizens and wisely used their country's resources as well as the foreign assistance they had received to develop their country's economy, public sector institutions and infrastructure. Therefore foreign aid has never been the primary factor in any country's development.