

Analysis of national development aid

[Business](#), [Strategy](#)



Aid is an economic and social mechanism that saves and improves millions of lives suffering in poverty all over the world. Foreign aid is the “voluntary transfer of resources from one country to another” and can occur from one richer country to another more impoverished one, and or delivered through global organizations such as the UN, or aid agencies such as The Red Cross, Oxfam, etc. These variations of aid can be deployed as either development or humanitarian aid. Humanitarian aid is generally delivered in disaster areas, rescuing lives and is focused on short term effects, whereas development aid is provided in order to assist in the fundamental and longer term goal of economically and socially developing a country. As such development aid needs requires sustained funds in large quantities due to the fact that it depends on development over a long period of time. These definitions suggest the inherently positive nature of aid, whether in humanitarian or developmental form. However with both types of aid come with numerous pitfalls that can lead to the question of whether aid is indeed a predominantly positive venture. In this essay I will focus on development aid and attempt to show some of the ways in which it can have negative effects, and thereby reject the common assumption that aid is only and always a positive mechanism, while analyzing the work of two books on the subject in an effort to establish whether alternative solutions to current models of aid are feasible.

In Dambisa Moyo's book, *Dead Aid*, Moyo attempts to, “kick over the traditional piety that western aid benefits the third world”.³ Her core argument is that “millions in Africa are poorer today because of Aid; misery and poverty have not ended but have increased”. Moyo argues that aid in its

current configuration encourages too much reliance on it by developing countries: “ African governments view aid as a permanent, reliable, consistent source of income”. As such, she declares that westerners in turn must, “ make the cycle (of aid) stop”. Moyo develops her theme by attempting to disprove popular arguments in favor of aid. First, she shows why the post-war Marshall Plan was an inappropriate model for Africa: it was “ a matter of reconstruction not economic development”. In other words, it was designed to put back what was already there.

Most countries in Africa that receive aid do not have stable enough institutions to use aid to the best of their ability, she says. However she does go on to acknowledge that “ supporters of aid suggest that many economically successful emerging countries of recent times – Botswana, China, Colombia, South Korea, Thailand [...] have meaningfully lowered poverty, increased incomes and raised their standards of living thanks to large scale aid driven interventions”. Yet she makes the distinction that the aid given to these countries was “ generally 10% of national income and its duration short” and therefore of a different nature to the long term aid that has been given in the majority of African countries.

I would suggest that, contrary to her intention, her argument in fact supports a line of reasoning that is in favor of providing aid to African countries. While she suggests (without strong evidence) that these countries could have developed without outside resources, there is a clear correlation between the type and quantity of aid that these countries received and their growth rate. The case of Botswana, which received 20% of their national income in

aid and had “ one of the highest growth rates in the world”, suggests that there can be a connection between the amount of aid received and a significant spike in development. Moyo’s argument that “ aid is not responsible for this achievement” because Botswana also decided to utilize a market strategy, is highly selective in making her later case for a solution. This selectivity could actually introduce doubt into the reader’s mind – and raises the questions of which other statistics might have been ‘ cherry picked’ to support the argument. Moyo argues that most aid is in fact tied aid, that is “ recipients of aid are required to adhere to a strict set of conditions”. The author acknowledges that “ on paper, conditionalities made sense”. However, (in practice) conditionalities failed miserably. Paramount was (the aid donors’) “ failure to constrain corruption and bad government”. But some of those conditions have more to do with the financial status of the contributors than the governance of the recipients. For example, Thurow and Kilman quote an American supplier who says, “ We’re always looking for the perfect fit where we can benefit our own industry and where we can relieve hunger in the world.” In other words, “ American farmers need Ethiopian famine. If American farmers aren’t putting their crops in here then where would they go?”. Thus, the fact that America donates large amounts of food aid to Ethiopia, actually works to the US’s benefit and acts as a mechanism to constrict Ethiopia’s economy which “ is based on agriculture, accounting for almost half of GDP, 60% of exports, and 80% of total employment.”

Moyo describes this dangerous cycle as “ a micro-macro paradox”, where the big gesture destroys the small farmer. Moyo concludes that aid is “ no longer part of the potential solution, it’s part of the problem – in fact aid is the

problem”. Her solution to that problem can be summed up in two words: market economics. Thurow and Kilman address many of the same issues as Moyo but come to a very different conclusion. They present the reader with ten solutions to the current aid crisis. The first solution is to “ Keep Promises to Expand Development Aid” as set out in the eight UN Millennium Development Goals. However, I would argue that one of the authors’ reasons is weak as the reader is presented with the perspective that “ As richer governments introduced bailout plans to aid their distressed economies” then “ surely they can come up with a tiny fraction of that for those who have the least”. This plea holds from a moral perspective, however in reality the first priority for all countries will be to look after their own interests, including their own poor.

So if aid as we know it can be so fundamentally flawed, what are the alternatives? The obvious answer is helping developing countries achieve self-sufficiency. According to Thurow and Kilman, one solution would be to “ create a global fund to aid small farmers in Africa”. An operation as such would help “ farmers grow enough to feed themselves”. This could be possible through investing sufficient funds into simple solutions in order noticeably increase their ability to grow and sustain produce. In their book, a guest (Singer) states, “ we need to make it possible for people to produce their own food in a sustainable manner and by their own work.”

Kilman and Thurlow also argue that this would be a contributor to put a halt to the cycle of dependency syndromes that tend to be so prevalent throughout the developing world. A dependency syndrome is a common

belief that a developing nation is unable to fix its own issues without help from outsiders and that the aid itself compounds this situation by continuously propping it up. “ The next step is to help them grow surpluses that can feed their countries – and help meet the increasing global demand for food” (p 267). This statement presupposes that the countries are able to find and gather demand for their products abroad. Following this argument, they discuss that in order to provide for and allow poor farmers to improve and grow their land through constructing irrigation systems, African governments must legislate to encourage longer leases and provide mechanism to encourage the greater ability for citizens to privately own land. Despite this ideal, farmers widespread across Africa tend to be pestered and harassed by the landowners for money (short-term), thus obstructing any form of long term development. While the farmers and their families that they provide for obviously suffer loss, the landowners in fact do as well.

Superficially, a handful of Thurow and Kilman’s arguments are persuasive, although they are liable to fail with the execution of analysis. Their idea of putting money into recently discovered plant strains, for example, seems at first glance that it could have a significant impact. Thurow and Kilman make the argument that fierce drought and large unpredictable shifts in weather have punished Africa and its failing crops. To address this, if genetically modified (GM) seed manufacturers shared their discoveries and if the EU permitted imports of these crops, then the results, they argue, could be beneficial for everyone. There would be a new market for the seed producers, authorization for the EU to import more food, thus creating an

advantageous African trade channel. However this vision appears to be a ‘house of cards’ based on insufficient facts. The reality is that GM seed producers aren’t charities and therefore will not prop up this type of venture. In addition, the EU has a specific protectionist agriculture policy, in part based on the premise that EU customers won’t be willing to consume GM food. In conclusion, Moyo, Thurow and Kilman each put forth analyses that overlap on a range of issues and repeat fundamental mistakes that have plagued international aid. Despite some similarities in their arguments, their solutions differ remarkably.

Moyo presents a comprehensive albeit harsh answer: put a halt to aid and let the market decide. I was skeptical about the ‘hype’ in the foreword and preface to Moyo’s book. The fact that she is an African woman is focused on as a reason that she understands the issue that faces her birthplace as she speaks about a “desire to help families like my own”. Although, she has been living in the US for the most part of her life and is an employee of Goldman Sachs. Her mother works as a bank chairperson and her father is a senior academic, also trained in the US.

I personally think it’s crucial that Africans become more involved in the debate about aid and it is empowering and inspiring that Moyo fights for her country of origin, however it is difficult to avoid the conclusion that Moyo’s solutions were based more on market-driven ‘laissez-faire’ economics than on the realities of famine and poverty in Africa. Thurow and Kilman in comparison are journalists, committed and sometimes naïve in their expectations. They offer a range of thoroughly prescribed schemes, some of

which are more credible than others. They lay out their position in detail and they too have some tough ideas, especially in relation to strict regulation of aid. Their proposals are for incremental change, not revolution, and it seems to me that this is the better way to proceed.

Overall, the achievement of both Moyo's and Thurow and Kilman's analysis' has been to highlight the numerous deficiencies in development aid, both as it exists currently and within attempts to find new solutions.