

CATO INSTITUTE
**ECONOMIC
DEVELOPMENT**
BULLETIN PROJECT ON GLOBAL ECONOMIC LIBERTY

No. 2 • September 14, 2005

**African Perspectives on Aid:
Foreign Assistance Will Not Pull Africa Out of Poverty**

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Africa defies conventional logic: grinding poverty amidst immense mineral riches. Africa's economic growth of 5 percent in 2004, though more respectable than in previous years, was less than the 7 percent needed to achieve the United Nations Millennium Development Goals of reducing poverty and child mortality and improving education. At that rate, the United Nations Development Program has warned that the achievement of the millennium development goals may take 150 years.

The Commission on Africa, which was established by British prime minister Tony Blair, seeks to raise \$50 billion a year on the international capital markets and use it to reverse Africa's economic atrophy. Blair made aid to Africa the centerpiece of the British presidency of the G-8 meeting in Gleneagles, Scotland, in July 2005. President George Bush has tripled aid to Africa to \$4.3 billion since he took office in 2001. In addition, the Bush administration's Millennium Challenge Account (MCA) seeks to boost grants to poor African countries. France proposes an international tax on financial transactions or items such as plane tickets. Japan favors a \$200 million fund to nurture private-sector companies in Africa to improve the continent's investment climate and credit rating. The UN is calling on rich countries to increase their foreign aid to 0.7 percent of GDP by 2015. The UN argues that lack of resources is a major impediment to economic growth and that additional funds will be well spent. But will any of those plans help Africa?

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Most Africans are skeptical. They have heard those righteous calls before. Every decade or so, a throng of Western donors, African governments, and international organizations gathers to announce grand initiatives to pull the world's poorest continent out of its economic miasma. Congratulatory pats on the back are exchanged. Delegates return home and then nothing much is heard after that. Back in 1985, the United Nations held a Special Session on Africa to boost aid to Africa. In March 1996, the United Nations launched a \$25 billion Special Initiative for Africa. They all fizzled. Why should Africans place any faith in the current initiatives to reverse Africa's economic atrophy?

The Failure of Aid

Helping Africa is a noble cause, but the campaign has become a theater of the absurd—the blind leading the clueless. The record of Western aid to Africa is one of abysmal failure. More than \$500 billion in foreign aid—the equivalent of four Marshall Aid Plans—was pumped into Africa between 1960 and 1997. Instead of increasing development, aid has created dependence. The budgets of Ghana and Uganda, for example, are more than 50 percent aid dependent. Said President Aboulaye Wade of Senegal: "I've never seen a country develop itself through aid or credit. Countries that have developed—in Europe, America, Japan, Asian countries like Taiwan, Korea and Singapore—have all believed in free markets. There is no mystery there. Africa took the wrong road after independence."¹

The more aid poured into Africa, the lower its standard of living. Per capita GDP of Africans living south of the Sahara declined at an average annual rate of 0.59 percent between 1975 and 2000. Over that period, per capita GDP adjusted for purchasing power parity declined from \$1,770 in constant

1995 international dollars to \$1,479. The evidence that foreign aid underwrites misguided policies and feeds corrupt and bloated state bureaucracies is overwhelming.

Tanzania's ill-conceived socialist experiment, Ujaama, for example, received much Western support. Western aid donors, particularly in Scandinavia, gave their enthusiastic backing to Ujaama, pouring an estimated \$10 billion into Tanzania over a period of 20 years. Yet, between 1973 and 1988, Tanzania's economy contracted at an average rate of 0.5 percent a year, and average personal consumption declined by 43 percent. Today, Tanzania's largely agricultural economy remains devastated. Some 36 million Tanzanians are attempting to live on an average annual per capita income of \$290—among the lowest in the world. Other African countries that received much aid between 1960 and 1995—Somalia, Liberia, and Zaire—slid into virtual anarchy.

Much of the aid received was simply looted. Speaking at the New Partnership for African Development (NEPAD) meeting in Abuja, Nigeria, in December 2003, the former British secretary of state for international development, Lynda Chalker, noted that 40 percent of the wealth created in Africa is invested outside the continent. "If you can get your kith and kin to bring the funds back and have it invested in infrastructure, the economies of African countries would be much better than what they are today," she said.² The chairman of the session and president of the African Business Round Table, Alhaji Bamanga Tukur, agreed: "It is really difficult to ask foreign investors to come and invest on our continent when our own people are not investing here. There is no better factor to convince foreign investors than for them to see that our own people, both those based at home and those in the Diaspora, invest in Africa."³

Indeed, the amount of capital leaving Africa is staggering. Percy Mistry of the Oxford International Group pointed out that the external stock of capital held by Africans overseas could be as much as \$700 billion to \$800 billion.⁴ The World Bank estimated that "nearly 40 percent of Africa's aggregate wealth has fled to foreign bank accounts."⁵ Considering the missing billions in export earnings from oil, gas, diamonds, and other minerals that are not openly accounted for, it is dubious that Africa suffers from a poverty trap, as Jeffrey Sachs of Columbia University argues.

Africa's case for more aid and debt relief has not been helped by President Olusegun Obasanjo of Nigeria, which is arguably the most mismanaged economy in Africa. As he was pleading for more aid at the World Economic Forum in Davos, Switzerland, in February 2005, four of Obasanjo's state governors were being probed by London police for money laundering. The most galling was the case of Plateau State Governor, Chief Joshua Dariye, who was accused of diverting some \$90 million into his private bank accounts. Dariye was dragged before the Federal High Court in Kaduna by Nigeria's Economic and Financial Crimes Commission. Incredibly, Justice Abdullahi Liman ruled that although Dariye was a principal suspect in the case, Section 308 of the Nigerian Constitution protected sitting governors from criminal prosecution.

In February 2005, Nigeria's police chief, Inspector

General Tafa Balogun, was forced into early retirement after investigators probing money-laundering allegations found \$52 million hidden in Balogun's network of 15 bank accounts. At the time of his early retirement, Balogun had been on the job for only two years. Even Nigeria's senate is riddled with scams and inflated contracts, with proceeds pocketed by sitting senators. According to the president of the Institute of Chartered Accountants of Nigeria, Chief Jaiye K. Randle, individual Nigerians are currently lodging \$170 billion in foreign banks—far more than Nigeria's foreign debt of \$35 billion.

In July 2005, Nigeria's Economic and Financial Crimes Commission revealed that a succession of military dictators stole or squandered \$500 billion—equivalent to all Western aid to Africa over the past four decades.⁶ Even when the loot is recovered, it is quickly re-looted. The Nigerian state has recovered \$983 million of the loot of the former president, General Sani Abacha, and his henchmen. But the Senate Public Accounts Committee found only \$12 million of the recovered loot in the Central Bank of Nigeria.⁷

Aid for Reform

Foreign aid given to support reform in Africa has not been successful either. According to the United Nations Conference on Trade and Development: "Despite many years of policy reform, barely any country in the region has successfully completed its adjustment program with a return to sustained growth. Indeed, the path from adjustment to improved performance is, at best, a rough one and, at worst, disappointing dead-end. Of the 15 countries identified as 'core adjusters' by the World Bank in 1993, only three (Lesotho, Nigeria and Uganda) are now classified by the IMF as 'strong performers.'"⁸

The World Bank evaluated the performance of 29 African countries to which it had provided more than \$20 billion in "structural adjustment" loans between 1981 and 1991. The bank's report, *Adjustment Lending in Africa*, concluded that only six African countries had performed well: The Gambia, Burkina Faso, Ghana, Nigeria, Tanzania, and Zimbabwe. That gives a failure rate in excess of 80 percent. More distressing, the World Bank concluded that "no African country has achieved a sound macro-economic policy stance." Since then, the World Bank's list of "success stories" has shrunk. The Gambia, Nigeria, and Zimbabwe are no longer on that list.

In 1998, four new "success stories" were added (Guinea, Lesotho, Eritrea, and Uganda). However, the senseless Ethiopian-Eritrean war and the eruption of civil wars in western and northern Uganda have knocked those two countries off the new "success stories" list. Uganda depends on foreign aid for 58 percent of its budget. There are growing concerns about its democracy, defense spending, and rampant corruption. Yet, in December 1999, Uganda's aid donors announced the country's biggest-ever loan of \$2.2 billion—with no visible strings attached. As *The Economist* pointed out, "Cynics might say that Uganda can hold the world to ransom because the World Bank, the IMF and the other foreign donors cannot afford to let their star pupil go under."⁹

The Western Aid Lobby Is Partly to Blame

Africans themselves have realized that Western aid has not been effective. David Karanja, a former Kenyan member of parliament, for example, said: “Foreign aid has done more harm to Africa than we care to admit. It has led to a situation where Africa has failed to set its own pace and direction of development free of external interference. Today, Africa’s development plans are drawn thousands of miles away in the corridors of the IMF and World Bank. What is sad is that the IMF and World Bank experts who draw these development plans are people completely out of touch with the local African reality.”¹⁰

The donors themselves contributed much to the failure of Western aid to Africa. Foreign loans and aid programs in Africa were badly monitored and often stolen by corrupt bureaucrats. “We failed to keep a real hands-on posture with aid,” said Edward P. Brynn, former U.S. ambassador to Ghana. “We allowed a small, clever class that inherited power from the colonial masters to take us to the cleaners. It will take a whole lot of time and money to turn Africa around.”¹¹

More maddening, the donor agencies knew or should have known all along about the motivations and activities of corrupt African leaders. They knew or should have known that billions of aid dollars were being spirited into Swiss banks by greedy African kleptocrats. “Every franc we give impoverished Africa comes back to France or is smuggled into Switzerland and even Japan” wrote the Paris daily, *Le Monde* in March 1990.¹² Even famine relief assistance to Africa was not spared. Dr. Rony Brauman, head of Médecins sans Frontières, lamented in the 1980s: “We have been duped. . . . Western governments and humanitarian groups unwittingly fuelled—and are continuing to fuel—an operation that will be described in hindsight in a few years’ time as one of the greatest slaughters of our time.”¹³

Patricia Adams of Probe International, a Toronto-based environmental group, charged that, “in most cases, Western governments knew that substantial portions of their loans—up to 30 percent, says the World Bank—went directly into the pockets of corrupt officials, for their personal use.”¹⁴

Yet, the World Bank considered those same African governments “partners in development.” When the United Nations launched a \$25 billion Special Initiative for Africa in March 1996, the bank’s president James Wolfensohn said that he was “pleased that the Special Initiative is designed to be supportive of and a ‘true partnership’ with African leadership.”¹⁵ In fact, World Bank loans have often bailed out tyrannical regimes in the past. After shattering Ghana’s economy, the Marxist government of Jerry Rawlings found that the Soviet and Cuban governments could no longer provide it with assistance. Rawlings made overtures to the West, which responded with alacrity, eager to win one more “convert.” The regime signed a “structural adjustment” agreement with the World Bank in 1983. Slight improvements in the economy were hailed, and Ghana was declared a “success story” and a “role model for Africa.” Twelve years later and after the infusion of more than \$4 billion in loans, the World Bank admitted that declaring Ghana a “success story” was a mistake and not in the country’s own best interest.¹⁶

In recent years, loans provided by the World Bank for various poverty-reduction programs in Ghana have continued to be embezzled by the political elites. According to Goosie Tanoh, leader of the newly formed National Reform Party, “It is an open secret that so many grants from Japan, Canada, USA and Britain had been given to party functionaries who have misapplied it.”¹⁷

In Kenya, Nairobi’s deputy mayor, Abdi Ogle, demanded the resignation of the World Bank’s country director for Kenya, Harold Wackman, a Canadian, accusing him of turning a blind eye to embezzlement of an emergency loan of \$77.5 million in July 1998 to repair infrastructure damaged by heavy rains. “Not a cent of this money has come to the City Council because it has disappeared into private pockets within the Ministry of Local Government,” fumed Ogle.¹⁸

Kenyan constitutional reform, which was supposed to have addressed the problem of pervasive corruption in that country, has stalled under the watchful eyes of the ruling elite. Widespread government corruption has caused international donors to withhold money allocated to fight AIDS. The disease has killed about 1.5 million in Kenya since 1984. The government estimates that about 1.4 million Kenyans are infected with HIV/AIDS. Yet Kenya’s health ministry is riddled with graft. A recent audit revealed the existence of “ghost workers” whose salaries worth \$6.5 million per year are collected by living workers. In June 2004, the same health ministry paid \$1.8 million for a radiography machine for the Kenyatta National Hospital that was never delivered. Over the course of the past 12 months, Kenya has been rocked by corruption scandals in various ministries, but little action has been taken. The ministers who were involved were sacked, but not prosecuted to recover the loot.

During his 24 years in power, Daniel Arap Moi’s government embezzled and stole an estimated \$3 billion to \$4 billion. The country’s central bank was looted. The money was stolen by making fictitious payments on foreign debt; kickbacks were collected on all public contracts, and when that didn’t supply enough cash, politicians awarded themselves fake contracts. A report by Kenya’s recently created Anti-Corruption Commission estimates that up to \$3 billion of the missing money is still stashed overseas. After he left office, Moi and his family were among the wealthiest people in Kenya, with seven big homes and connections to at least 30 major business firms. But he also left behind an economy crippled with foreign debt, collapsed infrastructure, unemployment hovering at 70 percent, and nearly two-thirds of the population living under the poverty line.

The Need for Domestic Reform

Foreign funds can help only those African countries that undertake political, economic, and institutional reform, but the commitment to reform has been woefully lacking. The democratization process in Africa has stalled through political chicanery and strong-arm tactics. Only 16 of the 54 African countries are democratic, and political tyranny remains the order of the day. Often, those countries that are democratic remain deeply corrupt. Intellectual freedom is stuck in the Stalinist era: only eight African countries have

free and independent media. The record on economic reform is abysmal. Only Botswana, Mauritius, Namibia, and South Africa can be described as “success stories.”

At the July 2004 African Union Summit in Abuja, Nigeria, frustrated UN Secretary-General Kofi Annan told African leaders of their lack of progress on meeting the UN’s Millennium Development Goals that they agreed to in 2000. Four years earlier, he was less restrained, lashing out at African leaders and blaming them for most of the continent’s problems.¹⁹

African children echo the same sentiments. At the United Nations Children’s Summit held in May 2002 in New York, youngsters from Africa ripped into their leaders for failing to improve their education and health. “You get loans that will be paid in 20 to 30 years and we have nothing to pay them with, because when you get the money, you embezzle it, you eat it,” said 12-year-old Joseph Tamale from Uganda.²⁰

Tony Blair and Jeffrey Sachs should listen to the voices of average Africans, who have not benefited from aid in the past and are unlikely to benefit in the future. Without domestic reforms, African politicians will line their pockets, but Africa will remain desperately poor.

Notes

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from whose research and writing we have borrowed in preparing parts of this text.

3. Aderinokun.
4. Percy Mistry, “Aiding Africa,” letter to *The Economist*, July 14, 2005.
5. Karen DeYoung, “Giving Less: The Decline in Foreign Aid,” *Washington Post*, November 25, 1999, p. A1.
6. Peter Goodspeed, “Corruption’s Take: \$148B,” *National Post* (Canada), July 4, 2005, p. A1.
7. Ayittey, *Africa Unchained*, p. 439.
8. George Ayittey, “Corruption, the African Development Bank and Africa’s Development,” Testimony before the Senate Foreign Relations Committee, September 28, 2004, p. 7.
9. Cited in Ayittey, *Africa Unchained*, p. 161.
10. Cited in George Ayittey, *Africa in Chaos* (New York: St. Martin’s, 1998), p. 275.
11. Blaine Harden, “The US Keeps Looking for a Few Good Men in Africa,” *New York Times*, August 27, 2000, p. 1.
12. Cited in Jonathan C. Randal, “French-Speaking Africa Hit by Popular Discontent,” *Washington Post*, March 26, 1990, p. A17.
13. Rony Brauman, “Famine Aid: Were We Duped?” *Reader’s Digest*, October 1986.
14. Patricia Adams, “The Debts of Corruption,” *Financial Post* (Canada) May 10, 1999.
15. *African Recovery*, May 1996, p. 13.
16. World Bank, *Ghana Country Assistance Review: A Study in Development Effectiveness* (Washington: World Bank, January 1996).
17. *Ghanaian Chronicle*, August 14, 2000.
18. *Daily Graphic*, January 9, 1999, p. 5.
19. *Daily Graphic*, July 12, 2000; p. 1.
20. “African Children Accuse Leaders,” *BBC News*, May 10, 2002.

Other Relevant Studies from the Cato Institute

“Explaining Botswana’s Success: The Critical Role of Post-Colonial Policy,” by Scott A. Beaulier, *Cato Journal* 23, no. 2 (Fall 2003).

“Underdevelopment in Sub-Saharan Africa: The Role of the Private Sector and Political Elites,” by Moeletsi Mbeki, Cato Foreign Policy Briefing no. 85, April 15, 2005.

“Africa’s Development Challenge: From Predatory to Accountable Government,” by Robert Guest, Cato Economic Development Bulletin no. 1, June 30, 2005.