

Is Foreign Aid Still Relevant Today? A Reflection paper on Colonialism.

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Abstract:

Foreign aid in this era has become central on the agenda of policy makers. During the UN 2010 Millennium Goals Summit for instance, evaluation and accountability of aid was accentuated to extend assistance for developing countries to help tone down entrenched poverty. The transfer of funds from one country to another as a form of assistance, however is brimming with disagreements as different groups have diverse views on foreign aid issues. Protagonists of foreign aid maintain that, aid stimulates and precipitates growth and institutional reforms in various developing countries. Antagonist analysts, on the other hand, assert that, aid debilitates institutions of most developing countries, exacerbates corruption, escalates bureaucracy and widens the gap between the haves and the have-nots among other inimical quandary. In this paper, foreign aid has been defined as the transfer of money, goods and services from one country to another. It further expands that, foreign aid gained prominence during and following World War II when aid was primarily used to help rebuild the economies of Western Europe. Subsequently, Sub-Saharan Africa has absorbed almost one trillion in nominal aid dollars over the last fifty years but the growth record is not admirable (Mayo, 2009 and Easterly, 2006). According to the UN Policy Brief No.1 in October 2010, "Africa received a greater share at 36% of total global aid than any part of the world. Over the past four decades, aid to Africa has quadrupled from around US\$11 billion to US\$ 44 billion with net increase of almost US \$10 billion during the period 2005 -2008 alone" (UN, 2010). Another corollary is that, the record of aid to Africa from 1960 and 1997 has been a horrendous failure as more than \$500 billion in foreign aid which is equivalent to four Mashall Plans pumped to Africa has created dependence instead of development. Some countries like Malaysia, Taiwan, Israel and Egypt also relied heavily on foreign aid for development. One may then ask: is foreign aid still relevant today? This paper, through underscoring aid's contributions and setbacks, seeks to establish whether foreign aid is relevant today and to propose an appropriate conclusion on foreign aid.

Keywords: Foreign aid, Economic growth, Economic development, Developing countries, Policy analysis

I. INTRODUCTION

"Colonialism is the practice of acquiring full or partial political control over another country occupying it with settlers and exploiting it economically (Gosden, 2002). Some scholars and historians describe colonialism to begin from the 15th century to late 19th and early 20th century. The wonderful thing colonialism spread to Africa was civilization. However, in the second decade of the 21st century sub-Saharan Africa remains the poorest region on the earth. Data from the 2011 UN Human Development Report indicates that forty of the world's fifty least developed countries are in Africa and that the fifteen least developed countries are African (UNDP, 2011). So then did colonialism help Africa or hindered it? This reflection paper seeks to address this major question using Sudan as a primary point of reference. Education and religion is one way colonialism extended assistance to Africa. Colonialism in Africa through education and religion facilitated the movement of ideas, knowledge and cultural expressions. In spite of Christianity having a long history in Africa, the religion was introduced to large parts of western and southern Africa for the first time as a result of colonization. Christian missionaries in Africa worked with colonial officials to establish formal schooling in many African colonies. Education and religion has also contributed immensely to the survival of African cultural expressions in music, dance and art which has made its way to Europe and other continents where it has had a strong impact on art, music and cultural expressions. Sudan was colonized by a joint force of the British and Egyptian government known as the Anglo-Egyptian Condominium. Insoll(2003) explains that in 652 AD Muslims Arabs entering from Egypt invaded the northern part (now Sudan) and transformed its people's religious identity and changed its ethnic affiliations. Christianity however persisted in the south, Christianity reached Sudan in the age of emperor Justinian and Christian kingdoms in Nubian flourished and survived for 700 years until the 14th century when it gave way to immigrants from the Arab world. Colonization led to the establishment of secondary, primary, technical, commercial schools as well as universities which succeeded in making a large number of Sudanese people literate and conscious".

"Moreover, infrastructural developments needs to be addressed as a significant way colonialism stretched out help to Africa. Through colonialism, the colonial masters facilitated the exports of raw materials produced through the efforts of African laborers and sold back manufactured goods to colonial subjects. These activities led to the establishments of new infrastructure like railways, roads, market centers among others to facilitate trade. In Ghana for example railway expenditures accounted for 31.4% of total expenditure in 1898 to 1931 (Donaldson, 2010). There were also the building of telecommunications and electrification systems to help with carrying messages to distant places. Between 1899 to 1955 in a period of British control, in addition to the British pacifying and uniting Sudan they sought

to modernize Sudan by using technology to facilitate economic development and by establishing democratic institutions to end authoritarian rule. Even in 1991, many Sudan's political and economic institutions owed their existence to the British (Federal Research Division, 1988).

Colonialism has had its constructive attributes on Africa especially integrating Africa into the world economic system. Nevertheless, colonialism have also had its abysmal repercussions on Africa. In the area of infrastructure, African governments focused substantial energy in developing an internal infrastructure for trade during the colonial period. This led colonial governments to focus on the export component of the economy with the main interest directed at improving raw materials to market. This has today resulted in most roads and rail system in colonial Africa to be oriented towards the coast. The major infrastructure developed by the colonial masters geared towards exploiting the raw materials and wealth of the colonies. According to Plateau, (2000) "two thirds of the African railways built in the colonial period connected mines to coastal harbors" (Plateau, 2000). Even with those countries that did experience infrastructural developments, the quality of the infrastructure remain an issue as their Gross National Income did not rise. Despite changes in access to infrastructure, the Gross Domestic Product (GDP) per capita remained unchanged in Africa between 1976 and 2001 (International Food and Research Institute, 2005). Today most countries in Africa experience negative growth in their output as a result of the infrastructure inherited from their colonial masters. In Sudan, the institutions built by the colonial masters were more extractive which led to dismal infrastructural levels. The practice of "divide and rule" colonial rule by the colonial masters led to weakened indigenous power network and institutions in Sudan. The endless weak institutions in Sudan have led to ineffective military and civil governments and today conflict appears to affect Sudan people and its institution for the rest of the twentieth century.

Moreover, another negative effect of colonialism is that it succeeded in creating dependency relationships. Due to the weak and extractive institutions that colonialism created, Africa always depend on their colonial masters for the supply of certain resources like technology and other manufactured products. Europeans extended healthcare and other support to their colonies with the pretense of helping, only to exploit their colonies and create dependence to their advantages. In the context of Sudan, colonization has made the country an oil-dependent country. Sudan was the seventh largest recipient of official humanitarian assistance in 2011 and received over US\$562 million and equivalent 2.1% of its Gross National Income as aid in 2011" (Global Humanitarian Assistance, 2011).

Colonialism has had its pros and cons on the milieu of Africa. Several argument have been raised as to whether colonialism blessed or cursed Africa. Most countries which were colonized have not experienced the best in terms of development while other countries like Ethiopia which was not colonized tend to have a positive economic growth. In my view, colonialism has had some form of positive impact on Africa especially integrating Africa into the world economic system. However the major negative effect of colonialism which resonates in most Africans today is that, it (colonialism) took away the pride of Africans. Hence, colonialism helped Africa in some form while it also hindered it in other dimensions. Should we sit unconcerned and watch the pride of Africa deteriorate incessantly as a result of the lasting legacies of colonialism? Then it is sagacious and reasonable for scholars, governments, educational institutions and all concerned stakeholders to join hands to conscientize people on their African identity as a way to restore the pride of Africa. There can still be a great change in Africa if the people in Africa become more selfless in the pursuit of developmental issues and refrain from pulling down their fellow men who put into society their broad sympathy and compassions to serve the needs of humanity".

II. IS FOREIGN AID STILL RELEVANT TODAY?

Foreign aid is the voluntary transfer of resources from one country to another, given at least partly with the objective of benefitting the recipient country. The most widely measure of aid is "Official Development Assistance" (ODA). It began during and after World War II when it was used primarily to help rebuild the economies of Western Europe and to help contain the soviet expansion in the aftermath of World War II (Caldwell, 2004). The record of aid to African countries from 1960 to 1997 has been an abysmal failure as more than \$500 billion in foreign aid which is equivalent to four Marshall Plans has been pumped into Africa. Interestingly, this has rather created dependence instead of development. In contrast to this, countries like Malaysia, Taiwan, Israel and Egypt who also relied a lot on foreign aid seem to have boosted their development. An overview of aid data (from table 1 in the appendix) from the Development Assistant Committee (DAC) shows the financial resources that were given out as aid. The corresponding data in table 2 indicates the GDP per capita of most developing countries who were recipients of aid and yet, these countries still have low GDP per capita. One may then ask, is foreign aid still relevant today? This paper seeks to establish whether aid is still relevant today by drawing out the pros and cons of foreign aid including an appropriate conclusion.

Foreign aid is generally given by donors with the aim of strengthening the economic development of recipient countries. Humanitarian reasons account for why rich countries continue to give aid to poor countries. Mostly, high income countries believe that it is a social or moral duty to help people in other countries who suffer from war, disease etc. After the Post-Cold War conflicts which caused over five million casualties, 95% being civilians, there have been a lot of human casualties. In 2001, for example, 35 million people were affected in different ways by conflict worldwide (Branczik, 2004). These disturbing effects of conflicts necessitate the need for donor countries to continue to give humanitarian relief and development assistance to rebuild war-torn countries and also to ensure access to water, food, shelter, health care etc.

The need to reduce the shortage of capital and foreign currency, moreover, seems to be a justification for developed countries to continue to give aid to poor countries. In developing countries, there is a lack of domestic saving and investment which is characterized by lack of credit. Hence, it is challenging for entrepreneurs and other businesses to acquire the needed credit for expansion and growth. In these developing countries, technical assistance is inadequate along with financial and physical capital. Donor countries thus should continue to give aid to less developed countries so as to increase capital within those sub regions and provide the necessary technical assistance. These will help improve the skills of labour to increase productivity, subsequently driving savings and investment efforts. Michael Shields, using annual data for 119 countries (with majority from Africa), maintained that there is a positive relationship between foreign aid and savings which proves the general effectiveness of foreign aid in increasing economic growth across the globe (Shields, 2004).

On the other hand, there is the argument that rich countries should not continue to give out aid to poor countries because it fuels corruption within the recipient countries. The evidence that foreign aid underwrites misguided policies and feeds corrupt and bloated state bureaucracies is overwhelming. For instance, Tanzania received an estimated \$10 billion over the period of 20 years and yet between 1973 and 1988, Tanzania's economy contracted at an average rate of 0.5% per year with average consumption declining by 43%. Also, in July 2005, Nigeria's Economic and Financial Crimes Commission revealed that a succession of military dictators squandered \$500 billion equivalent to all Western aid to Africa over the past four decades (Ayodele, et al 2005). Aid to developing countries makes African leaders greedy for their personal gains. A classic exemplars are some entrenched leaders in developing countries who if not for aid funds, would have left power by now. According to Dambisa Mayo, with aid increasing the slash funds available to governments, increased corruption and repression of democratic opposition becomes even more feasible (Mayo, 2009).

In addition to this, aid given to governments is mismanaged and further fuels corruption. Due to corruption, some countries in Africa which have received aid in the form of debt cancellation tend to remain poor. Due to the catastrophic effect of diverting funds into private pockets, the notion that developed countries should avoid the continuous giving of aid to developing countries is propounded. Mostly, rich countries give assistance to poor countries to build their basic infrastructure development like transport, communication, power and education so as to engender growth and development. In an attempt to help developing nations, developing countries tend to misappropriate the resources from the rich countries. There is evidence that most aid given bilaterally is often wasted by corrupt governments. The problem with bilateral government aid is that it is tied with strings. An example of such conditions for aid is the receiving country having to buy goods from the donor countries. A practical example of this is Britain's agreement to fund the building of the Pergau dam in Indonesia on the condition that, Malaysia buys £1 billion worth of military equipment. Unfortunately, the same can be said of multilateral aid agencies (Smith, 2007). Moreover, developed countries should avoid the continuous giving of aid to developing countries due to its catastrophic effect of causing dependence. Mostly, rich countries give assistance to poor countries to build their basic infrastructure development like transport, communication, power, education so as to engender growth and development. In an attempt to help developing nations, developing countries tend to depend on the rich countries. In Aung San Suu Kyi's article on "Peace, Culture and Democracy", she argues that if the United Nations wants to promote development, then it must support agencies that empower people to contribute to development. William Easterly and Mayo stressed that developed countries who try to help developing countries like Africa have created aid-dependence instead of having a functioning Africa managed by Africans. What is left is an Africa where outsiders attempt to manage its destiny and call the shots (Mayo, 2009 and Easterly, 2006). This issue of dependence has led to authoritarian paternalism which, according to Mayo, has made poor countries dependent and powerless as rich countries interfere in their lives and restrict their freedoms.

The Western world is partly to be blamed for why western aid has not been effective. According to Edward P. Brynn (Former US ambassador to Ghana) foreign loans and aid programs in Africa were badly monitored and often stolen

by corrupt bureaucrats. Collier in his article on the "bottom billion" stated that, Africa is not doing well with aid because of civil wars, plagues, and ignorance among others. He added that, aid is still relevant only when it is based on laws and charters and trade policy (Collier, 2007). How then should aid be given to make it effective? The first step to make aid effective is to improve foreign aid quality. This means that the way aid is given in terms of the cost of its design, negotiation and implementation should be tailored to meet the recipient country's needs. Also, aid should be linked to development policies like trade and investment. Africa accounts for 2% of global exports today, a share that has fallen by half since 1980 (Shields, 2004). The poorest countries still do not have meaningful duty free, quota free access to trade. Aid should be geared to expand exports of developing countries. Also, aid should be used to catalyze the private sector. The private sector is the main driver of development in poor countries, yet aid is still oriented towards the public sector. Over the years, the concentration of aid has shifted from manufacturing sectors to social sectors. Similarly, aid should be geared to the private sectors. Also, before giving out aid to make it effective, countries that are given aid should have political stability coupled with press freedom to realize growth and development.

To finalize this work, the major argument has been whether rich countries should continue to give aid to poor countries. Arguments for aid were established as well as those that countered it. The mechanism to give out aid has also been spelt out. Based on the analysis above, aid is still relevant today but it should be given to countries with robust institutions, political stability, press freedom and countries whose economic growth and development is auspicious. I recommend that African states and other developing countries should undertake political, economic and institutional reform if aid is to stimulate growth and development.

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