Is Africa trapped between foreign aid dependency and failed growth initiatives?

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Abstract

The endemic nature of Africa's dependency on foreign aid seems to support the popular view that the continent is incapable of an existence free from aid. Budgets by Africans for national and continental projects are planned based on expected aid flows, the implication being that these projects often fail because, among other reasons, aid fails to materialize or is misused. On the other hand, Africa's access to aid, in the first place, is argued to discourage proper implementation of the region's growth initiatives. Countries on the continent make a mockery of integration initiatives despite the dismally low intra-trade in the region. These countries also neglect the need to develop proper domestic institutions for revenue collection. Often, many countries, especially those occupying strategic positions or those endowed with vital raw materials, use threats of domestic instability, sub-regional conflicts or even full blown wars to try to coerce donors to release aid uninterruptedly. This study argues that African countries have cleverly managed dependence, exaggerated hopelessness and instrumentalized aid to obtain resources that have mainly enabled undemocratic regimes a long stay in power. Obviously, foreign aid to Africa has not led to any significant sustainable growth in the region but has, at best, provided short-term reliefs to few poverty-stricken countries and, at worst, pushed recipient countries deeper into debts. The study concludes that Africa needs trade rather than aid.

Keywords: Dependency, foreign aid, growth initiative, trade, institutions

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1. Introduction

Categories of foreign aid to Africa include, among others, debt cancellation, emergency relief assistance, outright grants, soft loans, and technical cooperation. The main donors are developed countries and international institutions such as the World Bank and the International Monetary Fund (IMF). In recent years, though, countries such as China and India have joined the ranks of donors to Africa. The revenue from aid constitutes significant shares of both gross national income (GNI) and gross capital formation in many African countries, especially the sub-Saharan countries (World Bank, 2006a:348-350).

Generally, the major objective of aid is to fight poverty by supporting economic growth and development in the least developed countries. The main argument for official aid to Africa is to assist recipient countries fill their savings-investment gaps or their foreign exchange-trade gaps (Ilorah, 2008). A savings-investment gap, also called the financing gap (Easterly, 2002:29), is the difference between the amount saved by a country and the amount it requires for investment and a foreign exchange-trade gap is the difference between a country's foreign exchange requirements and its actual trade-generated revenue (Todaro & Smith, 2006:724). Aid proponents argue that filling these gaps would move Africa closer towards industrialization, improvement in transport and agriculture, and overall economic development and therefore self-sustainability. Africa, though, is yet to make any significant advances to achieving these goals. The continent has, by virtually any measure, fallen behind the rest of the developing world, demonstrating that aid to the continent has failed in its set goals and objectives (Carlsson, Somolekae and van de Walle, 1997:7-9). Most countries in

Africa, especially the sub-Saharan countries, are still about as poor as they were during independence or even poorer. The worst performers are the so-called Heavily Indebted Poor Countries (HIPCs), the majority with a steadily declining per capita income that continued into the 21st century (Lerrick, 2005:3), when other world regions were enjoying the benefits of globalisation.

During 1960-1979, Africa received US$76.3 billion in official aid, and US$715.9 billion during 1980-2004 (Lal & Rajapatirana, 2007). In 2008 alone, the Sub-Saharan Africa received US$40.1 billion in aid (World Bank, 2010:408). Yet aid to Africa has neither boosted investment nor acted as a source of technology transfer to the continent. It has rather discouraged private sector initiative needed to promote the production of output and savings in recipient countries (Ilorah, 2008). Foreign aid is considered as an unearned income for which the scramble in Africa, especially among its leaders, reflects the continent's lack of political and economic development, lack of proper institutions for revenue collection, and lack of services to the general populace (Grabowski, 2006; Baxter, 2002:19). In other words, Africa's dependency on foreign aid means that the majority of recipient countries are unwilling to develop proper institutions for revenue collection. These countries, directly or indirectly, shy away from commitments such as service deliveries to their citizens. Countries that are less dependent on foreign aid are more likely to follow their own 'home-grown' development routes, both politically and economically (Grabowski, 2006), as such countries are not bound by donor-dictated conditionalities expressed by Chabal and Deloz (1999:110) as aid constraints. Conditionalies or aid constraints can be political or economic and can weigh heavily on recipient countries (Boyle, 2007:6). Could it then mean that foreign aid that is purported to assist Africa's development is perhaps the main stumbling block to growth on the continent?

In what follows, first, we go through some theoretical issues on the nature of the relationship between developed countries, including their dominated international institutions, and poor developing countries. The former are aid donors and the later the recipients. The theoretical discussion takes us further to specific arguments for aid. Africa's dependency on aid can be argued to be legendry and we will see why in our discussion of the continent's aid dependency syndrome. Next, we discuss the effects of this dependency on the continent, looking at three dimensions of the problem, namely, the disincentive, indebtedness and conditionality dimensions. Finally, we make recommendations for perhaps Africa's rebirth and conclude the study.

2. Theoretical issues

The international-dependence models, comprising the main streams, the neo-colonial dependence approach, the false-paradigm approach, and the dualistic-development approach, have strongly criticized the nature of the relationship between the world's poor countries and the rich ones (including their sponsored institutions). The relationship between these two groups is characterized by dependence and dominance, with poor countries reduced to perpetual subordinates of rich countries' (Todaro & Smith, 2006:115-118). This relationship has over the years resulted in the political and economic exploitation of the poor countries by the rich ones. According to the neo-colonial dependence approach, the grossly skewed resource distribution and, by extension, the unequal power relationship between the rich developed countries and their poor developing counterparts have over several decades promoted foreign aid, weakening attempts by the later at achieving self-reliance and especially economic independence (Griffin & Gurley, 1985; Todaro & Smith, 2006:115). This approach argues that often the main beneficiaries of foreign aid (categorised as an unearned income (Grabowski, 2006)) to poor countries comprise a small band of the ruling class whose activities and policies not only defy accountability but also obstruct any radical reform efforts that could tamper with their power base or benefit ordinary citizens. Aid donors as external forces, on the other hand, have special interests that are often both political and economic in the aid-recipient countries. Usually some donors, in collaboration with members of the ruling elite (forces from within) in the recipient countries, choose to ignore the fact that aid packages, especially financial aid, are not often used for their intended purposes. The neo-colonial dependence approach therefore views dependency on foreign aid rather as a form of political and economic control of poor developing countries by their rich developed counterparts, assisted by forces from within the poor countries. A condition of dependency is therefore perpetuated in the poor developing countries, trapping these countries in more serious conditions of backwardness, making them vulnerable to exploitation (Dos Santos, 1973).

The false-paradigm approach sees underdevelopment and poverty and, by extension, the dependency syndrome in the poor countries as the result of an often misleading a-single-prescription-fits-all doctrine, usually adopted for poor developing countries by naïve and assuming international experts employed by own donor countries, multinational donor organisations, and intergovernmental institutions. Especially in times of crises in developing countries, these experts recommend outmoded and inappropriate policies based on strange, if curious, mixture of ideology and poor economics that, at best, protect special interests but neglect the effects on the general population in the countries for which the policies are meant

(Stiglitz, 2002:xii-xiv). Projects undertaken by these poor countries fail because of, among others, wrong policies based on wrong doctrines and inappropriate models (Todaro and Smith, 2006:117). The policies may, though, serve the interest of an opportunistic few belonging to the ruling elite that controls their countries' meagre resources, including donor aid packages. The failure of policies based on wrong advice usually exacerbates poor developing countries' aid dependency, deepening their debts and debt-servicing problems.

Finally, the dualistic-development approach argues that the co-existence of industrialised developed countries and poor developing countries has become so entrenched, reinforcing in itself with the former getting only richer and the later only poorer. This co-existence of unequal partners, both politically and economically, with minimal hope of a breakthrough for the poor countries, renders any attempts by these countries to cut loose their foreign aid dependency trap an uphill battle. Dependency and poverty among developing countries therefore reinforce and exacerbate a cycle of dependency, the situation in Africa providing a good example. Even though these theoretical facts are often ignored by foreign aid proponents they nonetheless remain an important basis for criticisms against the continent's chronic dependency on foreign aid.

The emphasis on foreign aid to promote growth in Africa builds on the neoclassical view of the savings-growth causality, which argues that high savings will, through high investment, lead to growth. Theoretical support for this causal direction from savings to growth via investment builds on the Harrod-Domar model, which demonstrates that the more an economy is able to save and invest from a given gross national product (GNP), with total savings being equal to total investment, the greater will be the growth rate of that GNP. More specifically, the model means that a growth-promoting total new investment is determined by the level of total saving. Incorporating aid into the model, and in line with aid proponents, it would mean that should saving be unavailable or in short supply for investment, foreign aid should then serve as a substitute or a complement. The argument, by implication, would mean that foreign aid is, to a large extent, as good as saving and can therefore play the role of saving to determine investment and subsequently growth. Foreign aid should fill the financing gap between actual national saving and the necessary investment for a country's take-off into self-sustained growth (Rostow, 1960:37). A great emphasis is put on savings and investment, both of which are lacking in poor developing countries but which aid proponents argue can nevertheless be achieved through either foreign aid or, according to Todaro and Smith (2006:107), private foreign investment. This theory has received criticisms, not only for its rigid saving-investment-growth approach, giving little or no consideration to several important factors (Branson, 1989:574), but also for the very poor success rate in developing countries for which the application of the aid-investment-growth approach (considered an alternative to saving-investment-growth approach) is frequently encouraged (Easterly, 2002:29). Critics argue that saving (whether or not with foreign aid as substitute or complement) and investment may be a necessary condition for economic growth but not a sufficient condition (Meier, 1995:153). Critics are also uncomfortable with the implicit assumption that the necessary structural, institutional, and attitudinal conditions exist in the developing countries, whereas the reality is that these conditions are absent in these regions. The model also does not take into consideration the effects of external forces, often reinforced by forces from within the aid recipient countries. The combined effects of both forces are often beyond the control of poor countries to the extent that they are capable of disadvantaging good development projects by diverting resources to unintended purposes.

The assumptions that foreign aid is a sufficient condition for investment and ultimately growth, even for developing economies, are therefore considered as rather too simplistic.

3. Africa's aid dependency syndrome

The aid dependency ratios for sub-Saharan Africa are generally much higher than those of other regions in the world (World Bank, 2006a:351). See Table 1 below which shows that Africa, especially the sub-Saharan region, remains heavily dependent on aid. Aid per capita has increased despite the increase in the sub-Saharan Africa population which is expected to nearly double to 1.5 billion by 2030 (Mills, 2011). As a percentage of GNI, gross capital formation (GCF), and imports, three of the four main measures of dependency (data on the fourth, public spending, is unavailable), the region's dependency on aid has remained on the high side (compared to other low and middle income regions), varying only slightly depending on donor sentiments that are in turn determined by performances in their economies. According to the World Bank (2003:341), the sub-Saharan Africa's level of dependency was equally high in the 1980s. Several factors such as natural disasters, poor terms-of-trade and, especially, bad policies are blamed for the region's high dependency (ibid). It is important to note that the data in Table 1 capture loans and grants from Development Assistant Committee (DAC) member countries, multilateral organisations and non-DAC donors. They do not reflect aid donated by recipients of official development assistance (ODA) and official aid to other developing countries, implying that the sub-Saharan Africa's total dependency is not entirely captured. The data, though, capture different aid groups, namely, program, project or food aid; emergency assistance; post conflict peacekeeping assistance and technical cooperation (ibid). Perhaps, outgrowing dependency and associated burdens should be the most logical goal with aid but this does not seem to be happening in Africa.

Foreign aid, either in cash or in kind, is broadly aimed at transferring resources from donors, usually rich countries, to recipient-countries, many of which are not necessarily poor if own resources are well managed. Aid includes, among others, debt cancellation, emergency relief assistance of different types, outright grants, soft loans, implicit capital transfers or disguised flows such as preferential tariffs by one country to another's exports, post-conflict peacekeeping assistance and technical cooperation (World Bank, 2006a:351; Todaro, 1994:537; Harsch, 2005:16-17; Ilorah, 2008). There is, though, lack of clarity about what actually constitutes foreign aid to Africa, to the extent that even private foreign investors' capital flows, representing normal commercial transactions, prompted by commercial considerations of profits and rates of return, are often construed as aid to the continent. This ambiguity in meaning has meant that the operations of foreign multinationals engaged in the exploration for oil and other mineral resources in Africa are mistakenly considered, albeit by design, as development assistance and therefore aid to the continent. For example, the Chinese presence in different parts of Africa in recent years, motivated by long term strategic and economic interests, especially in Africa's oil and other mineral resources, is often touted as technical cooperation between the two regions, with China perceived as giving a helping hand, and Africa at the receiving end (Gaye, 2008: 15).

Africa has undoubtedly benefited from certain types of foreign aid but not equally so from many others. It has benefited from emergency relief assistance including temporary shelters, food and medicine for victims of natural and man-made disasters. These usually fall within the resources allocated under the International Development Association (IDA) for post-

Table 1: Africa's foreign aid dependency, 1996 - 2008

Low & middle income regions		East Asia and Pacific	Europe & centr Asia	L.America & Carib	Middle East & N Africa	South Asia	Sub-Saharan Africa	Economies not specified
Net official aid (% of total)	1996	**13.6**	**14.7**	**12.6**	**10.1**	**8.8**	**28.0**	**12.2**
	2000	**15.5**	**18.6**	**8.7**	**8.2**	**7.6**	**23.8**	**17.7**
	2004	**8.1**	**13.9**	**8.0**	**12.3**	**7.9**	**30.4**	**19.3**
	2008	**7.1**	**6.4**	**7.3**	**18.4**	**9.6**	**31.3**	**19.8**
Aid per capita (US$)	1996	**5**	**18**	**15**	**22**	**4**	**28**	**Na**
	2000	**5**	**22**	**9**	**16**	**3**	**20**	**Na**
	2004	**4**	**25**	**13**	**35**	**5**	**36**	**Na**
	2008	**5**	**17**	**16**	**73**	**8**	**49**	**Na**
Aid as % of GNI	1996	**0.6**	**0.8**	**0.4**	**1.0**	**1.0**	**5.2**	**Na**
	2000	**0.5**	**1.2**	**0.2**	**1.0**	**0.7**	**4.1**	**Na**
	2004	**0.3**	**0.7**	**0.4**	**1.7**	**0.8**	**5.3**	**Na**
	2008	**0.2**	**0.2**	**0.2**	**1.9**	**0.8**	**4.3**	**Na**
Aid as % of GCF	1996	**1.4**	**3.3**	**1.9**	**5.0**	**4.6**	**27.3**	**Na**
	2000	**1.6**	**5.2**	**1.2**	**4.0**	**2.9**	**21.5**	**Na**
	2004	**0.7**	**2.9**	**1.6**	**6.4**	**3.3**	**26.1**	**Na**
	2008	**0.4**	**0.8**	**1.0**	**Na**	**2.3**	**21.9**	**Na**
Aid as % of imports	1996	**1.6**	**2.4**	**1.9**	**3.5**	**5.5**	**14.2**	**Na**
	2000	**1.4**	**2.8**	**0.9**	**3.3**	**3.6**	**10.9**	**Na**
	2004	**0.6**	**1.5**	**1.2**	**n/a**	**Na**	**13.9**	**Na**
	2008	**0.4**	**0.5**	**0.8**	**6.0**	**2.5**	**9.2**	**Na**

Source: World Bank, 2003:340; 2006:350; 2008:366; 2010:408

conflict and post-disaster countries, and limited to a specific time period (World Bank, 2006b:139). These post-conflict and post-disaster allocations are meant to support the exceptional needs of countries emerging from conflicts and disasters (ibid). Apparently, there has not been scarcity of conflicts and disasters (natural and man-made) in Africa during the last half-century. For example, at the peak of conflicts in the continent in 2002, there were 16 of them in equal number of countries, among the most serious ones at the time being the 21-year old conflict between North and South Sudan, and the full-blown protracted wars in Angola and Liberia (ibid, p. 2). Post-conflict assistance obviously brings great relief to torn families and all conflict victims in general. Natural disasters have also befallen several countries on the continent both in the past and in recent years. Countries such as Ethiopia and Somalia in the Horn of Africa have regularly suffered from the effects of drought, such as dryness and de-agriculturalisation, and have received emergency relief assistance in form of food and medicine aid from donor countries and institutions.

Some other categories of foreign aid to Africa, especially the so-called outright grants and soft loans for economic development, have not been equally beneficial to recipients. There is a general concern that outright grants and soft loans have practically created more problems than they have solved over the years. Soft loans, in particular, are to fill the so-called financing gap, boost investment and growth. Africa has remained an example of a region with a failed aid-investment-growth link (Carlsson, et. al, 1997:7; Easterly, 2002). Many countries on the continent such as Cote d’Ivoire, Burundi, Sierra Leone, Central African Republic (CAR), Guinea Bissau, Democratic Republic of Congo (DRC) and Zimbabwe, all among the little-or-no-growth countries (World Bank, 2006b:3), are indeed growth disasters despite having received significant amounts of foreign aid to boost investment and growth in their economies. See Table 2 below showing the average annual GDP growth in the sub-Saharan African countries during 1996-2005. The table reveals that with the exception of some few mineral exporting countries (with occasional growths that are generally known to be buoyed by periodic improvements in commodity prices rather than by a relatively more sustainable good macroeconomic management), the general growth performance is one of disappointment, considering the low base of economic activities in the entire region. In other words, higher growth rates are needed for any significant improvements on the lives of citizens. The table also reveals that not even all the mineral exporting countries in the region attained comparatively good growth rates.

Table 2. Average annual GDP growth in sub-Saharan African countries, 1996-2005 (%)

Countries with Little or no growth (Average: 1.3%)		Countries with slow growth (Average: 3.4%)		Countries with relatively sustained growth (Average: 5.5%)		Oil-exporting countries (Average: 7.4%)	
Swaziland	2.8	Namibia	4.0	Mozambique	8.4	Equatorial Guinea	20.9
Kenya	2.8	Zambia	3.6	Rwanda	7.5	Angola	7.9
Lesotho	2.7	Guinea	3.6	Cape Verde	6.5	Chad	7.8
Eritrea	2.2	Niger	3.5	Uganda	6.1	Sudan	6.4
Comoros	2.0	Togo	3.3	Mali	5.7	Nigeria	4.0
Seychelles	2.0	Madagascar	3.3	Botswana	5.7	Congo	3.5
Cote d'Ivoire	1.5	Malawi	3.2	Ethiopia	5.5	Gabon	1.7
Burundi	1.2	South Africa	3.1	Tanzania	5.4		
Sierra Leone	1.1	Sao Tome & Principe	3.1	Mauritius	4.9		
Central African Republic	0.9			Mauritania	4.9		
Guinea Bissau	0.6			Benin	4.8		
Democratic Republic of Congo	0.0			Ghana	4.7		
Zimbabwe	-2.4			Senegal	4.6		
				Burkina Faso	4.6		
				Gambia	4.5		
				Cameroon	4.5		

Source: The World Bank, 2006b:3.

Soft loans and outright grants are usually politically motivated to the extent that even notoriously and financially irresponsible countries, characterized by poor governance, are often prioritized recipients as long as they fulfil the politically strategic needs of donors. Notably during the Cold War era, donors from the West, including its big business, had, through these categories of aid, encouraged repressive African regimes in Zaire (present DRC), Kenya, Ghana, CAR, and Nigeria, as long as these regimes remained anti-communist. In the same era of power tussle, the former communist Soviet Union had also, through these same types of aid, held on to regimes in countries such as Ethiopia, Mozambique, Somalia and Angola, as long as they remained anti-West (Ilorah, 2008). Regardless of what governance these regimes practiced and how their aid packages were expended, their loyalty to donors determined the development assistance they received (Enoki, 2002; Ilorah, 2004). Actually, the Cold War inspired the filling of the financing gap with foreign aid (Easterly, 2002:37), and yet there is hardly any proof that it led to growth in Africa. See Table 3 below showing a decomposition of sources of growth in different world regions, including Africa, during 1990-2003.

Table 3. Sources of growth – a decomposition analysis, 1990-2003 (%)

Region	Growth in output	Growth in output per worker	Growth in physical capital per worker	Total factor productivity
World	3.09	1.88	0.93	0.67
Africa	2.48	-0.09	-0.05	-0.44
Industrial countries	2.31	1.55	0.84	0.49
China	9.70	8.51	3.32	4.72
East Asia less China	5.24	3.12	2.05	0.58
Latin America	2.61	0.33	0.14	-0.16
South Asia	5.34	3.10	1.29	1.38
Middle East	3.64	0.61	0.20	-0.11

Source: The World Bank, 2006b:6

Table 3 reveals Africa as the worst performer in the world in terms of growth. The negative growth of output per worker is a reflection of the continent's very low growth rate. The negative growth in physical capital per worker, also lowest in the world, confirms a dismally low capital investment in the region, despite all foreign aid to the continent over the years. A yet important indication of the region's appalling growth is the poor level of the total factor productivity which, according to the World Bank (2006b:6), has remained negative since the 1960s, and a dismal -0.44 percent during 1990-2003, reflecting the continent's lack of technology for efficient use of inputs to produce output (ibid). The lack of technology and the subsequent inability of the continent to exploit its vast natural resources profitably continue to exacerbate also its vulnerability to exploitation in partnership agreements with other world regions (Ilorah, 2008). Perhaps, the lack of technology also explains why benefits of globalization through trade continue to elude the continent, exacerbating directly or indirectly the continent's dependency on foreign aid (ibid). See Table 4 below that shows official aid to selected African countries and as shares of these countries' gross national income for selected years during 1999-2006. All countries in the table are assumed exceptionally poor and heavily indebted and have all since qualified for the IMF/World Bank-inspired Heavily Indebted Poor Countries (HIPC) initiative. The table shows that official aid, both in absolute term and as a percentage of gross national income, remains sizeable in all countries. Apparently, the unabated dependency on foreign aid means that the rest of the world has, to a large extent, continued to perceive any growth in Africa as foreign aid-driven and, sadly, the continent sees every other regional partner as potential aid donor.

Table 4: Official aid and as shares of gross national income (GNI) in selected African countries, 1999 - 2006

	Official aid ($ million)			Aid as a % of GNI		
Country	**1999**	**2004**	**2006**	**1999**	**2004**	**2006**
Benin	211	378	375	8.9	9.3	8.0
Burkina Faso	398	610	871	14.2	12.7	14.1
Ethiopia	643	1823	1947	10.0	23.0	14.7
Ghana	609	1358	1176	8.1	15.4	9.2
Madagascar	359	1236	754	9.8	28.8	13.9
Mali	355	567	825	14.0	12.2	14.9
Mauritania	219	180	188	20.1	11.1	6.8
Mozambique	805	1228	1611	21.3	21.4	26.2
Niger	187	536	401	9.4	17.5	11.0
Rwanda	373	468	585	19.4	25.8	23.6
Senegal	535	1052	825	11.5	13.9	9.1
Tanzania	990	1746	1825	11.6	16.2	14.5
Uganda	590	1159	1551	9.9	17.3	16.7
Zambia	624	1081	1425	21.0	21.2	14.6
Cameroon	435	762	1684	5.0	5.4	9.3
Chad	188	319	284	12.4	11.8	5.5
DR Congo	132	1815	2056	3.1	28.6	25.2
Gambia	34	63	74	8.2	16.0	14.8
Guinea	238	279	164	7.0	7.3	5.0
Guinea Bissau	52	76	82	24.9	28.3	27.9
Malawi	447	476	669	25.8	25.9	21.4
Sierra Leone	74	370	364	11.5	34.3	25.7

Source: World Bank, 2006a:348-50; Ilorah, 2008: 92; AISA, 2009:57-59.

Note: Gross national income (GNI) is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipt of primary income (compensation of employees and property income) from abroad.

Often, African countries and their aid proponents project ubiquitous growth targets that are impossible to attain, hoping that foreign aid will subsidize the costs of required investments and usher these poor countries to the path of economic growth (Easterly, 2002, Chapter 2), but overlooking other countervailing factors in these countries such as their bloated and often corrupt and inefficient public sector run by few elites and their inner circles. This elite group through which aid, especially financial aid, is administered does not always see the need for accountability for its activities and consequently aid is not often used for intended purposes, such as profitable investments. As a consequence, the continent has rather fallen deeper into unsustainable debts, demonstrating that aid cannot accurately reflect the basic needs of poor countries in terms of promoting economic development (Chabal and Deloz, 1999:110; Easterly, 2002:35; Lal & Rajapatirana, 2007). Critics argue that foreign aid to these poor countries, at best, enable them to service their subsidized loans under earlier foreign aid agreements (Bauer, 1972:127) and, at worst, is exhausted for the purchase of consumption goods or to keep corrupt and incompetent governments in power.

4. Foreign aid as a burden on Africa: The disincentive dimension

Foreign aid to Africa is known to act as a disincentive to local initiative. For example, a sub-regional initiative, the Southern African Customs Union (SACU), comprising South Africa, Botswana, Lesotho, Namibia and Swaziland, is under threat of disintegration following a disagreement on issues of trade liberalization treaty with the European Union (EU), known as the Economic Partnership Agreements (EPAs). Pressurized by the EU, some SACU members, namely, Swaziland, Botswana and Lesotho would, because of fear of losing out on EU aid, rather accept a, more or less, skewed trade agreement, argued to be in the EU's favour at the expense of some SACU members. The issue under contention is the lifting of duties on nearly all EU's goods entering the SACU region, despite possible losses in tariff revenue of about 50 percent for Lesotho and Namibia, 30 percent for Swaziland and 10 percent for Botswana (Kwa, 2008:6). Namibia and South Africa, both supporters of the EPAs, want further reviews of the agreements before possible conclusion and ratification to avoid unnecessary losses by SACU member countries, but the other three members resist any further delays in concluding the EPAs. There is a concern that the SACU disagreement poses a risk of differentiated tariff structures in the Customs Union and that it is also a serious threat to a plan to harmonise the sub-region's industrial and other economic policies (ibid).

This unfortunate situation in the SACU sub-region is a reminiscence of the 1980s failed structural adjustment programmes (SAPs) in Africa. The SAPs were supposed to usher African economies into the path of economic development by restoring and expanding the region's export capacity (Green, 1993). Instead, the programmes failed dismally in their desired objectives. Critics of the programmes argue that African countries embraced the SAPs mainly because of fear of losing out on international resource transfers in form of foreign aid promised by the very same SAPs initiators, the IMF and the World Bank (Sandbrook, 1991), and not necessarily that these countries had any hopes on the SAPs to succeed.

The EPAs are, in theory, meant to facilitate the achievement of EU's development policy gaols that include poverty reduction and a subsequent eradication in a manner that is both consistent with sustainable development and the gradual integration of the African-Caribbean-Pacific (ACP) countries (of which SACU, under SADC, is an integral body) into the global economy (Stocchetti, 2007:1). In practice, though, the achievement of the development dimension of the partnerships remains an illusion. Critics of the EPAs question this development dimension often emphasized in the EU-ACP economic relations, in view of the unequal trade rules between the two bodies. They question specifically the sustainability of such development when the EU only wants a substantial liberalization of all trade that allows it increased access to the ACP markets at the same time as high and distorting level of the EU's own protectionism, seen as stumbling blocks to development through trade in ACP countries, remains (ibid, p. 2). Critics argue that the rather skewed relations that tilt in the EU's favour are bound to impact negatively on the development of local producers and industries as well as on the ACP countries' government revenues. Such relations will ultimately exacerbate the already existing income inequality between EU and ACP states (ibid), deepening the dependency of the later on the former.

5. Foreign aid as a burden on Africa: The indebtedness dimension

African countries have generally low domestic savings and limited access to foreign savings, both constraining the supply of funds for capital investments. Gross domestic savings as a percentage of GDP amounted to lows of 22.0 percent, 16.6 percent and 19.4 percent, on average, for the sub-Saharan countries during 1980-89, 1990-99 and 2000-04, respectively (World Bank, 2006b:37). The figures for the entire continent were 24.3 percent, 18.0 percent and 21.4 percent during the respective periods. The total number of countries with negative savings (de-savings) ranged between ten and twelve during the periods (ibid). Reasons for the poor savings in the region range from poor governance, inefficiency, high costs and lack of outreach to a financial sector. Capital markets that act as the natural source of long-term finance are either non-existent in some countries or are still underdeveloped in others to really play any significant role in funding investments (World Bank, 2006b:130). Financial institutions such as banks are also in limited supply with many countries having less than three bank branches per 100 000 people (ibid, p.129). Bank assets in some countries are as low as 7 percent of GDP, and private sector's access to domestic credit averages less than 20 percent of GDP on the continent as a whole (World Bank, 2006b:129). The constrained lending to the private sector, in turn, constrains economic growth (ibid).

Capital flows into only few countries on the continent where there are natural resources to exploit (Africa Institute of South Africa (AISA), 2009:60), explaining why the few foreign investors in the region dare to venture into war-torn and conflict countries such as Angola, DR Congo, Chad, Sudan and Nigeria, among others. It is argued, though, that more capital flows out of these countries than flows in, this being a result of the disproportionate amount of profits that accrue to foreign investors. Critics argue that poor profit-sharing arrangements between African governments and foreign investors on the continent often leave resource-rich host countries in constant capital deficit (Baxter, 2002:19). Foreign aid, especially soft loans, is expected to finance this deficit, the implication being that these countries are pushed deeper into debts. In 1990, debt servicing as a percentage of exports of 24 most indebted countries, ranged between 20 percent and 81.4 percent (World Bank, 2006b:56). The worst affected countries with notably heavy debt servicing as a percentage of exports include: Uganda (81.4 percent), Algeria (63.4 percent), Madagascar (45.5 percent), Burundi (43.4 percent), Ethiopia (39.0 percent), Ghana (38.1 percent), Kenya (35.4 percent), Cote d'Ivoire (35.4 percent), Congo Republic (35.3 percent), Sao Tome and Principe (34.0 percent), Tanzania (32.9 percent), and Guinea Bissau (31.0 percent) (ibid).

By the mid-1990s, Africa's external debt had peaked at about $335 billion, having been on the rise during the preceding decades, especially in the 1980s (AISA, 2009:55). Following the launch of the Heavily Indebted Poor Countries (HIPC) initiative in 1996 by creditor-rich Western countries and institutions such as the World Bank and the International Monetary Fund (IMF), aimed at giving some relief to debt-burdened poor countries through debt cancellation, Africa's external debt declined somewhat during the 2000s compared to the levels during 1980s and 1990s (AISA, 2009:55). For example, in 2006, the total external debt of the continent declined by about 29.5 percent to $236.2 billion from the mid-1990s peak, with the sub-Saharan Africa responsible for about 69.6 percent of the debt and North Africa 30.4 percent (ibid, pp. 55-56). See Table 5 below for the external debt of poorer countries of the sub-Saharan sub-region in 2003 and 2006. Many more countries than those shown in the table may have since qualified for the HIPC initiative with a possibility of further reduced total debt for the continent. Moving from the position of the lack of domestic credit facilities to the inability to exploit own natural resources because of the lack of technology back to debts because of poor profit-sharing arrangements and poor governance complicates Africa's dependency on aid.

The supposedly break-through of the HIPC initiative occurred in July 2005 when several African countries were granted total debt relief under the G-8 agreement reached at the summit in Gleneagles, Scotland (Mutume, 2005:8-9; Ilorah, 2008). The Gleneagles agreement is seen as a follow-up on the HIPC initiative. The debt cancellation was though the only option considering that the debt was in all probability uncollectible (Lerrick, 2005:1), especially when measured against the value of the debtor-countries' export earnings which had since independence remained too low (Carlsson et. al, 1997:14). Critics argue that the industrialized countries and their international lending agencies understand clearly that the multi-billion debt of the poorest countries, of which 85 percent is in sub-Saharan Africa, would never be repaid or serviced regularly, especially with added interests compounding the loans and therefore the debt burdens. The debt relief was also seen as an effort by industrialized countries to halve poverty in poor developing countries, including African countries, by 2015 (World Bank, 2003:3), in line with the Millennium Development Goals (MDGs). To meet the MDGs, rich nations are requested an annual contribution of at least 0.7 percent of their national income (Lerrick, 2005:3-6). Interestingly, Table 5 shows that countries in conflicts, either of an internal nature or with other countries, or those with known dictatorial leadership, seem to accumulate the most debts. Such countries are usually characterized by poor governance, unprofitable investments, resource mismanagement, and poor outputs.

Table 5. The HIPCs: external debt outstanding in 2003 and 2006 (US$ million) & as percentage of GNI in 2006

	Total external debt, 2003	Total external debt, 2006	Debt as % of GNI, 2006
Benin	1,799	824	18
Burkina Faso	1,775	1 142	19
Burundi	1,262	1 411	162
Cameroon	8,229	3 171	18
CAR	953	1 020	68
Chad	1,477	1 772	34
Comoros	260	Na	Na
DRC	10,781	11 210	138
Congo	4,454	6 130	Na
Cote d'Ivoire	10,126	13 840	83
Ethiopia	7,064	2 326	18
Gambia, The	596	725	145
Ghana	7,257	3 192	25
Guinea	3,290	3 281	100
Guinea Bissau	733	711	241
Liberia	1,459	2 674	541
Madagascar	4,795	1 453	27
Malawi	3,062	850	27
Mali	3,079	1 436	26
Mauritania	2,188	1 630	59
Mozambique	3,201	3 265	53
Niger	2,031	805	22
Rwanda	1,510	419	17
Sao Tome and Principe	329	Na	Na
Senegal	4,223	1 984	22
Sierra Leone	1,589	1 428	101
Somalia	2,103	2 836	Na
Sudan	10,168	19 158	56
Tanzania	6,670	4 240	34
Togo	1,531	1 806	83
Uganda	4,405	1 264	14
Zambia	5,902	2 325	24

Source: Lerrick, (2005:4); AISA (2009:55)

Aid in the form of loans and outright grants to countries with irresponsible governments mean that the plight and needs of citizens in such countries do not actually determine the allocation of foreign aid. Often, the political, geographically strategic or economic selfinterests of donor countries and organisations are the main determining factors (Todaro and Smith, 2006:721). That implies that donors expect rewards from aid-recipient countries. These expected rewards by donors constitute a burden on recipient countries. Donor countries and organizations have, in pursuit of expected benefits, a temptation to replace the administrative machinery of recipient governments, their common argument being to enhance aid effectiveness (Enoki, 2002; Ilorah, 2004). This attitude of donors' undermines the sovereignty of recipient countries (Stiglitz, 2002:9), as well as the autonomy of their domestic institutions. Own domestic-initiated political and economic reforms also become more difficult to achieve in the aid-recipient countries, pushing these countries further into dependency, eroding not only their credibility and self-confidence as independent sovereign states but also their bargaining power during partnership agreements, such as international trade agreements.

6. Foreign aid as a burden on Africa: The conditionality dimension

Even when debts are cancelled, relieving debtor-countries of their financial burdens, some feelings of indebtedness tend to remain. The feelings of indebtedness, coupled with pressures from donors, implicitly demanding for rewards (economical or politically strategic), place heavy burdens on debtor-countries. The aid recipient countries also become practically trapped in vulnerable conditions of uneasiness characterized by unequal power relationships that tilt in favour of donors. African countries are no strangers to this experience. The China-Africa conference in Beijing during 3-5 November, 2006, attended by 48 African Heads of State, is a testimony to an unequal power relationship. During the conference, China made clear its strategic and economic interest in Africa and also made several promises, among which was to cancel the continent's old debt (Gaye, 2008:16). African Heads of State have in the past been invited to a similar conference in Paris by the French government which also gave similar promises of debt cancellation and a continual economic cooperation with Africa. One of the latest in the series of meetings of Africa and a regional power took place in Yokohama, near Tokyo, Japan during 28-30 May, 2008. Known as Tokyo International Conference on African Development (Ticad), and attended by representatives from 51 African countries, including 40 African Heads of State, the usual pledge for more aid to Africa was made by the host country, Japan. Africa was promised, among others, a doubling of aid in the form of soft loans and an assistance to double the continent's rice production within 10 years. The necessary tools to accomplish the later include micro-financing for farmers and technical cooperation to increase the amount of irrigated area in Africa by 20 percent in five years (Sapa-AFP, 2008:6). Perhaps, it is needless to say that the promises and pledges to African countries are not usually without donor-dictated conditionalities.

Soft loans and grants to the continent can be tied by source in which case they are spent on the purchase of donor countries' goods and services, or tied by project making it impossible for recipient countries to spend them on projects of their choice than on those dictated by donors (Todaro and Smith, 2006:718). For example, aid to Ghana from bilateral sources during 1985-2004 was tied by source and was by so doing systematically recaptured by exporters from the very same aid donor-countries (Osei, 2005). Compounding the problem for Ghana was that it even had to import the goods at uncompetitive prices, saddling the country with debts eventually (ibid). In yet another aid-funded project to supply water in Ghana, the donor country, withheld about US$300 million of the donated amount until the government of Ghana had committed itself to leasing water concessions exclusively to the multinational corporations recommended by the donor (Manda, 2002:51). In Uganda, the government first had to guarantee that the country's electricity utility, Uganda Electricity Board, would buy power from a certain donor before the release of an aid package worth US$500 for a hydropower station in Bugali. Both Kenya and Egypt also had to sign power purchasing agreements that underpin World Bank-financed power projects (ibid). These attached conditions imply that the real value of (tied) aid to Africa is drastically reduced as recipient countries are denied any options of choosing goods and services or projects on the basis of costs and needs. Officially, donors argue that recipient-countries' absorptive needs and capacity should determine not just the amount of aid they receive but the direction of usage as well. Such excuses have not stopped aid-recipient governments from routinely complaining of excessive and counterproductive conditions of tied aid. Donors, on the other hand, usually retort that too often governments backtrack on their promises resulting in breakdowns in government performance and therefore forcing donor-interventionist actions (Carlsson et. al, 1997:11) Conditionality-attachments to aid are nevertheless seen simply as directing the usage of aid according to the prerogative of donors. Donors are known to use the promise of aid, or its withdrawal, to influence policy decisions in recipient countries (Wall, 2002:3). Dependency on aid, African-style, therefore not only denies recipient-countries full (local) ownership of projects and programmes, their design and delivery but also encourages external interferences in domestic policy issues. Is it then perhaps unimaginable to think of Africa that is totally independent of foreign aid?

Part of Africa's problem seems to be that the real meaning of aid does not hold true for the continent. Aid should be a temporary assistance to a country or a region in urgent need of resources while it rebuilds its economy or economies. Even the most ardent foreign aid advocates (Rostow, 1960), acknowledges that aid should be temporary, recipient countries to need it for about ten to fifteen years that include their take-off stage into self-sustained growth, after which such countries should have saved enough (out of increases in their national income) to sustain themselves, and aid therefore discontinued (Easterly, 2002:34). Aid recipient countries are expected to be prudent if they must accomplish self-sustainability through increases in domestic savings (ibid). Thus far, Africa does not seem close to meeting the goal of self-sustainability and is unwilling to undertake genuinely bold reforms. Countries on the continent remain more or less frightened to detach their economies from aid dependency despite the burdens of dependency. Even a relatively recent African programme, the New Partnership for Africa's Development (NEPAD) had, in its execution plan, estimated that Africa would need to fill an annual resource gap of 12 percent of its GDP or US$64 billion, the bulk of this needed amount expected to come from outside the continent in the form of foreign aid (AU/NEPAD, 2001:50). NEPAD remains low-keyed in its activities as expected donor funds are not forthcoming, just yet.

7. Recommendations and conclusion

Africa's attitude to aid over several decades has meant instrumentalizing dependence to the advantage of the continent. All loans from external sources are considered by African governments to be synonymous to foreign aid and the stringent conditions attached to some of the loans as well as their terms of repayment taken as mere formalities and therefore not taken seriously by some governments (Chabal and Daloz, 1999:114), and rightly so since the loans merely grow in size and eventually uncollectible and some cancelled. An early wakeup call to African countries came in the 1980s that even good times, characterized by easy money, also do come to an end, especially when donors of such easy money have own problems to grapple with and managing dependence and exaggerating hopelessness no longer good enough to attract aid. The wakeup call was in the form of the structural adjustment program (SAP), imposed on several countries on the continent by the World Bank and the International Monetary Fund (IMF), basically to reduce the continent's dependence on foreign but it failed dismally. SAP brought with it a package of financial and fiscal order as well as recommended reduced state interventions. It also recommended that African countries liberalize their economies, free their markets, facilitate investments, control inflation, adjust their currencies to realistic exchange levels and promote exports, all meant to promote growth and development. SAP failed because it was said to have advocated for a minimum power to the state but especially for the imposed austerity measures on the region's economies. Critics have been unanimously categorical on their verdict on SAP: The social impact was both unacceptable and counter-productive (Chabal and Daloz, 1999:121). What has also emerged, though, is that an existence without aid seems nearly unsustainable for most African countries or so say critics who argue that dependence has increased overtime on the continent and has become an integral part of the region's political economy (Chabal and Daloz, 1999: 110-111).

Obviously, foreign aid to Africa has not had the intended effect on the continent, considering that investments in the region have remained poor and growth unimpressive. Perhaps, it is more appropriate to argue that aid has actually been a source of disincentive to local initiatives in Africa. Dependency on unearned income, such as foreign aid, which requires little or no institutional structure to collect and little reciprocity involved (Grabowski, 2006) means that most African countries have remained politically and economically underdeveloped. These countries have rather pursued policies promoting the extraction of resources rather than promoting good investments. A good investment transfers skills and technology, assists economic growth, and creates dynamic linkages with local firms (Barnes and Barnes, 1995:68). The few investments in Africa simply do not fit in such category of good investments which is why the continent continues to depend ever more on foreign aid. African countries should begin to distance the continent from the lure of short-term gratification attained through foreign aid and rather begin to create an atmosphere that is conducive to good investments. Such investments, foreign and local alike, should take their roots in the establishment of a manufacturing base that creates jobs and promotes growth. Often, investors decry skills shortage in the continent as a big concern. To reverse the severe skills shortage, governments should begin to prioritise education more seriously, especially in the natural sciences and mathematics (not neglecting other disciplines totally), and also try to retain skilled citizens as well as lure back home those outside the continent (Ilorah, 2008).

Perhaps, technical cooperation with interested global partners should be encouraged, but such venture steered towards infrastructural development and, possibly in partnership with the private sector, towards attracting even more resources, as well as reducing risks in infrastructural ventures on the continent (ibid). In other words, any interactions with foreign partners should strictly be used to promote technological and other knowledge transfers. Technical cooperation will act as a driving force in terms of innovation, development of new services and job creation. Unlike other aid categories such as soft loans, clearly, technical cooperation is likely to minimize resource misallocation especially if African countries are focussed and able to plot their path of cooperation with foreign partners. Soft loans to Africa, even though made on a concessionary basis, have been argued to go into unprofitable investments or imports of consumption goods and these have exacerbated the continent’s debt crisis rather than contributed to meaningful investment returns (ibid). Africa should therefore begin to shun such categories of foreign aid and rather begin to design more home-grown strategies that are specifically suitable for Africa's development. For example, the promotion of more sub-regional trade, among other partnerships, could create benefits that would to a large extent distract Africa's attention from foreign aid, triggering what could be considered as a phasing-out process of the continent's dependency. With a successful own development strategy and proper use of its vast rich natural resources, Africa would come to realize that it can actually sustain itself and that foreign aid to the continent is not necessary after all.

Countries on the continent should begin to develop proper institutions for revenue collection. Majority of income earners on the continent (businesses and private persons) do not pay taxes either by design or unknowingly. Those who do pay do not often pay the amount commensurate with their earnings or their total worth. Those who do not pay do so with impunity either because they know highly placed officials or that they ironically influence policy and therefore have control over officials who implement tax policy decisions. In the end, tax revenues are lost despite the fact that taxes are the main source of revenue for most governments (World Bank, 2008:291). There is no available data for sub-Saharan Africa as a bloc on the ratio of tax to GDP. Compared to other world regions, though, and in view of the generally low income of African countries, the ratio is perceived to be low (World Bank, 2010:312-315). The sub-region's perceived low ratio also reflects weak administration, and large-scale tax evasion (ibid, p. 315). It could also reflect unrecorded and undisclosed income. With developed institutions, African countries can mobilize tax revenues to finance a broad range of social services for their citizens and cut down dependence on aid. Of the scanty data available for sub-Saharan countries, South Africa has the highest ratio of tax revenue (collected by central government) to GDP, estimated at 29 percent and 27.7 percent during 2006 and 2008, respectively. The least of the sub-Saharan countries available are for the Democratic Republic of Congo (DRC) with an estimated ratio of 3.5 percent in 2000 and Central African Republic with an estimate of 6 percent in 2006 (World Bank, 2008:288; 2010:314).

Perhaps, Africans should also look at several other ways of increasing output in their countries and rid the continent of aid dependency. In the absence of efficient technology in several countries to promote productivity, such countries should consider putting in longer hours per day and more days per week at work. African countries, generally, cannot afford to work for eight hours daily and five days weekly just because other world regions are doing so. Birth control should also become a regional concern and be taken up during meetings of the continental body such the African Union. If the continent is struggling to feed its present population, it should serve as a wakeup call for what problems lay ahead if it continues to grow its population at the present rate. Perhaps, very important is that citizens should begin to be more assertive for their fundamental human rights in their countries and regularly demand for accountability from their leaders. African leaders, many of whom are ‘leaders for life’ in their countries should begin to do away with their practices of predicting catastrophes, domestic conflicts or even inter-state wars on the continent should donors fail to release aid. Ironically several African leaders are richer than their counterparts from aid donor-countries.

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